

#### DOUGLAS COUNTY COMMISSIONERS WORK SESSION

Monday, September 8, 2025 – 1:00 p.m. – 2:00 p.m. (Lansing Point, Englewood)

### AGENDA

\_\_\_\_\_

1:00 p.m. DRCOG Request for Letter of Support for Economic

**Development District** 

Fairgrounds, Business Model Adjustment

Information Only: Sterling Ranch Community Authority Board

Anticipated Series 2025A and Series 2025B Bonds



### **Agenda Item**

Date: September 8, 2025

**To:** Douglas County Board of County Commissioners

**Through:** Douglas J. DeBord, County Manager

From: Terence T. Quinn, AICP, Director of Community Development

**CC:** DJ Beckwith, Principal Planner

Lauren Pulver, Planning Resources Supervisor

Kati Carter, AICP, Assistant Director of Planning Resources

Subject: DRCOG Request for Letter of Support for Economic Development District

#### **SUMMARY**

The Denver Regional Council of Governments (DRCOG) is pursuing designation by the Economic Development Administration (EDA) as an Economic Development District (EDD). The EDA requests each county proposed to be included in the EDD provide a letter of support and, if possible, a Resolution passed by the Board of County Commissioners (Board) indicating support for inclusion in the EDD.

DRCOG has requested that the Board provide a letter of support for their designation as an EDD and approve a Resolution endorsing inclusion in the DRCOG EDD.

#### **BACKGROUND**

The designation of an EDD would make DRCOG eligible for grant funding from the EDA to support technical assistance, outreach and engagement by DRCOG staff to support economic development and implementation of the Comprehensive Economic Development Strategy (CEDS). DRCOG staff has stated that any economic development efforts of the EDD would be supplemental to work currently done by local and regional Economic Development Corporations to attract and retain businesses.

In 2024, DRCOG developed a CEDS as part of the application process for the EDD. A CEDS is a regionally driven economic development planning process that provides a background of economic development in the region, analysis of the region's strengths, weaknesses, opportunities, and threats, strategic direction and action plan, performance measures for evaluation, and incorporation of economic resilience through planning.

DRCOG established an EDD Advisory Committee that includes Douglas County representation from Ellie Reynolds with the Douglas County EDC and Frank Gray with the Castle Rock EDC.

### **NEXT STEPS**

Staff is prepared to discuss this further with the Board.

### **ATTACHMENTS**

Letter of Support Template Resolution Template Angela Belden Martinez, Regional Director U.S. Department of Commerce Economic Development Administration Denver Regional Office 1244 Speer Boulevard, Suite 431 Denver, Colorado 80204

RE: DRCOG application for designation as an Economic Development District

Dear Ms. Belden Martinez:

On behalf of the XXXXX County Board of County Commissioners, I am pleased to offer this letter of support for the application from the Denver Regional Council of Governments, more locally known as DRCOG, to attain designation as an Economic Development District according to the Economic Development Administration guidelines. XXXXX County is an active member of DRCOG and supported the effort to develop a Comprehensive Economic Development Strategy, called a CEDS, back in 2023.

We understand the difference in purpose and function between an EDD and our local Economic Development Council and believe that having DRCOG designated as an EDD will augment and enhance our own local efforts, along with those of the Metro Denver EDC and the Denver South Economic Partnership. We also appreciate the opportunity that having DRCOG designated an EDD presents in terms of expanded technical assistance and support for our smaller, more remote communities that lack the capacity for their own EDCs or could benefit from additional assistance.

Attached you will find a copy of the resolution adopted by our Board of County Commissioners in favor of this designation. We urge you to give favorable consideration to this application. We look forward to working with DRCOG and the EDA in new and exciting ways that will bring additional economic prosperity to our county, our region and our residents.

Sincerely,

Chair XXXXX County Board of County Commissioners.

[ ] County Board of County Commissioners Resolution2025
WHEREAS, [ ] County is an active member of the Denver Regional Council of Governments and its Economic Development District Advisory Committee; and,
WHEREAS, [ ] County understands the importance and benefits of having a Economic Development District for the entire region: and,
WHEREAS, [ ] County understands the difference in purpose and function between an EDD and our local Economic Development Council and believe that having DRCOG designated as an EDD will augment and enhance our own local efforts, along with those of the Metro Denver EDC; and,
WHEREAS, [ ] County believes that having DRCOG designated as an EDD will present expanded technical assistance and support for our smaller, more remote communities.
NOW, THEREFORE BE IT RESOLVED that [ ] County lends its support and endorsement of being included in the DRCOG Economic Development District as designated by the Economic Development Administration, U. S. Department of Commerce.
RESOLVED, PASSED and ADOPTED thisday of, 2025
[ ], Chair [ ] County



9/8/2025 Date:

To: Douglas County Board of County Commissioners

Through: Douglas J. DeBord, County Manager

From: Zach Burns, Fairgrounds Manager

Tim Hallmark, Director, Facilities, Fleet and Emergency Support

Services

Subject: Fairgrounds, Business Model Adjustment

### **Summary**

#### Douglas County Fairgrounds: Repositioning for Growth and Community Impact

The Douglas County Board of County Commissioners has asked staff to prioritize larger events that drive greater economic impact to the area. While this is an important first step, staff recommends a broader repositioning of the Fairgrounds to maximize facility use, increase revenue, and elevate our reputation as a premier regional venue.

#### **Key Shifts in Strategy**

#### From Legacy to Strategic Booking

Transition from a "first right of return" model to an application-based booking process that prioritizes events based on size, duration, attendance, facility utilization, and history. Larger events may book 12 months out, smaller events 6 months out, creating a natural filtering of event types. This process ensures transparency, fairness, and alignment with community and economic priorities.

#### Rental Rate Adjustments

A 50% increase in rental rates will bring us in line with other Front Range facilities, while still remaining competitive. This change is projected to add \$200,000 in annual revenue. Rates will be reviewed every two years going forward to prevent future large adjustments. The current non-profit discount (50%) should be evaluated, as competitors average closer to 35%.

#### Staffing Needs

To deliver on this vision, the Fairgrounds requires **five additional staff**:

1 Administrative & Event Services position

 4 Operational positions
 These positions will be largely funded through new revenue generated by policy and rate changes, ensuring fiscal responsibility while enabling higher standards of service.

#### Elevating Quality & Service

With added resources, we can:

- 1. End the use of self-serve buildings.
- 2. Improve cleanliness standards and venue presentation.
- 3. Provide enhanced pre-event planning support, including layouts and permit navigation.
- 4. Offer greater day-of support for signage, A/V, safety, and logistics.
- 5. Double the number of Open Riding dates for the community.

#### Conclusion

This is more than a policy adjustment—it is an opportunity to reposition the Douglas County Fairgrounds in the marketplace. By prioritizing high-value events, aligning rates with competitors, and elevating the quality of service, we can shift from being seen as the "cheapest option" to being recognized as the **best venue experience in the region.** This strategy strengthens our financial sustainability, attracts bigger and better events, and delivers lasting benefits to both Douglas County residents and the broader community.



### Memorandum

Date: September 4, 2025

To: Douglas J. Deboard, County Manager

From: Terence T. Quinn, AICP, Director of Community Development

**CC:** Lauren Pulver, Planning Resources Supervisor

Kati Carter, AICP, Assistant Director of Planning Resources

Chris Pratt, Managing County Attorney

Subject: Sterling Ranch Community Authority Board Anticipated Series 2025A and

Series 2025B Bonds

#### **SUMMARY**

The Sterling Ranch Metropolitan District Nos. 1-7 Service Plan requires that the Sterling Ranch Community Authority Board (CAB) submit a feasibility analysis prior to a bond issuance for the County's review to determine if a material modification to the service plan is required.

Should the Board of County Commissioners find the review from RBC Capital Markets (RBC) to be sufficient, then it may determine that a material modification is not needed.

#### **BACKGROUND**

On August 15, the CAB notified the County of the anticipated issuance of Limited Tax Supported District No. 2 Refunding and Improvement Bonds (Series 2025A Bonds) and Limited Tax Supported District No. 2 Subordinate Bonds (Series 2025B) to be issued in October 2025. The Bonds will be primarily secured by the pledge of mill levies on properties located within the Sterling Ranch Metropolitan District No. 2 and a portion of specific ownership taxes received by the District. The 2025A Bonds are expected to be issued as rated and insured bonds in the amount of \$38,620,000 and the Series 2025B Bonds will be unrated and estimated to be issued at \$8,068,000.

RBC reviewed the letter and market study provided by the CAB in order to determine if a material modification of the service plan is necessary. RBC has determined that based on the assumptions made within the market study and forecast, development should be adequate to cover the anticipated debt service on the bonds and they do not consider a material modification to be warranted.

#### **NEXT STEPS**

Staff is available to discuss this further or provide additional information of necessary.

### **ATTACHMENTS**

CAB letter dated August 15, 2025 RBC Review memo dated August 15, 2025

Douglas County Board of County Commissioners Ms. Kati Carter, Planning Manager Ms. Lauren Pulver, Senior Public Policy Analyst Mr. Chris Pratt, Managing County Attorney 100 Third Street Castle Rock, Colorado 80104

#### VIA EMAIL

Re: Sterling Ranch Community Authority Board – Anticipated Limited Tax Supported District No. 2 Refunding and Improvement Bonds, Series 2025A (the "Series 2025A Bonds"), and Limited Tax Supported District No. 2 Subordinate Bonds, Series 2025B (the "Series 2025B Bonds" and, collectively the "Bonds").

Dear Ms. Carter, Ms. Pulver, and Mr. Pratt:

I am general counsel for the Sterling Ranch Community Authority Board (the "CAB") and Sterling Ranch Colorado Metropolitan District Nos. 1-7 (the "Districts"). The CAB operates pursuant to the Sterling Ranch Community Authority Board Establishment Agreement, as may be amended and with an effective date of January 6, 2014 (the "CABEA") and the limitation set forth in the Service Plans of each of its member Districts, all approved by Douglas County on August 27, 2013, and as amended effective July 22, 2025 (the "Service Plans"). The purpose of this letter is to fulfill certain submittal requirements to the County that the CAB and the District have under the CABEA and the Service Plan.

The CAB is working diligently to close on the issuance of the above-described Bonds. The Series 2025A Bonds are expected to be issued as rated and insured bonds; the Series 2025B Bonds will be unrated. CAB expects to close on the Bonds in October of 2025. The Bonds will be secured primarily by a pledge of the mill levies on properties located within the boundaries of the Sterling Ranch Colorado Metropolitan District No. 2 (the "District") along with a portion of specific ownership taxes received by the District.

Pursuant to the CABEA and the Service Plans, the CAB and/or a District shall provide Douglas County with a copy of the Feasibility Analysis, not less than thirty (30) days prior to closing on a bond issuance. Section 5.9(m) of the CABEA and Section VII(G)(13) of the Service Plans read as follows:

"Prior to the issuance of any Bonds (excluding refunding Bonds), the CAB and/or the applicable District shall obtain a report, or an updated report if one was previously issued, from a third party market research firm or a market research analyst that has been engaged in analyzing residential and commercial market conditions for at least five (5) years (the "Market Analyst"), stating that it has reviewed the financial projections utilized in sizing the proposed Bond issuance

and the CAB's and/or District's ability to meet the debt service requirements of such Bonds including, but not limited to, absorption rates, valuation, growth and inflation rates and has evaluated the same in comparison to current and projected market conditions for Douglas County and/or such other areas deemed by such Market Analyst to be comparable, and that such financial projections are reasonable (the "Feasibility Analysis"). The CAB and/or District shall deliver the Feasibility Analysis to the County at least thirty (30) days prior to closing on such Bond issuance. If, within such thirty (30) day period, the Board of County Commissioners objects to the applicable issuance of Bonds as not being supported by the Feasibility Analysis, then it shall be prohibited and constitute a material modification of the Districts' Service Plans requiring an amendment, pursuant to Part XIII of each Service Plan and Section 32-1-207(2), C.R.S. The CAB and/or the applicable District agree to pay the actual and reasonable costs for the County's financial consultant to review the Feasibility Analysis in connection with the proposed Bond issuance."

In compliance with Section 5.9(m) of the CABEA and Section VIII(G)(13) of the Service Plans, the CAB hereby submits a copy of the Preliminary Financial Forecast prepared by CliftonLarsonAllen dated August 15, 2025, attached as **Exhibit A**, for the County's reference and review. Attached as **Exhibit B** is a copy of the most current version of the Draft Preliminary Official Statement describing the offering.

The CAB Board hopes to consider approval of an authorizing resolution at its September 19, 2025 meeting with posting of the Preliminary Official Statement and pricing of the Bonds to follow shortly thereafter. We look forward to your response within the thirty (30) day period.

If you have any questions and/or concerns regarding the foregoing, please don't hesitate to contact me.

Sincerely,

Gary Debus

General Manager

Cc: Harold R. Smethills, Jr., CAB Chairman

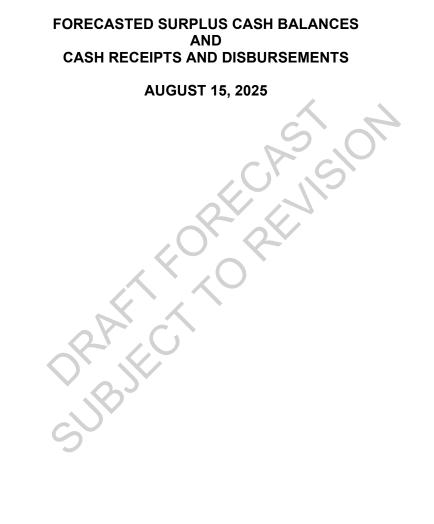
Troy Johnson, CAB General Counsel

Joshua Benninghoff, Stifel Nicolas (CAB Municipal Advisor) Cameron Richards, Greenberg Traurig LLP (Bond Counsel)



# **EXHIBIT A Preliminary Financial Forecast**

# FORECASTED SURPLUS CASH BALANCES



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ORAFIC ROPERING	



#### **Accountant's Compilation Report**

The Board of Directors of Sterling Ranch Community Authority Board Douglas County, Colorado

Management is responsible for the accompanying forecasted surplus cash balances and cash receipts and disbursements of Sterling Ranch Community Authority Board (the "CAB") for the Debt Service Fund using the cash basis of accounting for the calendar years ending 2025 through 2055 (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 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.

As discussed in Note 3, the forecast is presented on the cash basis of accounting, whereas the historical financial statements for the forecast 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 CAB by fund type.

Guidelines for presentation of a forecast established by the AICPA require disclosure of the differences resulting from the use of a different basis of accounting in the forecast 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 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 Sterling Ranch Community Authority Board.

Denver, Colorado August 15, 2025



#### FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

DEBT SERVICE FUND ONLY

#### **SUMMARY - DEBT SERVICE FUND**

		Cash	Receipts			Cash Disbursements			
Collection Year	Total Assessed Value (See Page 5)	Debt Service Mill Levy (See Page 6)	Net Property Taxes 99.50%	Specific Ownership Taxes 8.00%	Total Cash Receipts	Treasurer Collection Fee 1.50%	Trustee Fee \$7,000	Available for Debt Service (To Page 4)	Collection Year
2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052	45,395,860 43,491,323 43,425,890 44,248,968 44,973,213 45,703,369 45,703,369 46,439,056 46,439,056 47,179,858 47,179,858 47,179,858 47,925,320 48,779,802 48,779,802 48,779,802 49,742,461 50,724,373 50,724,373 51,725,923 51,725,923 52,747,504 53,789,516 53,789,516 53,789,516 53,789,516	63.206 63.519 63.615 63.663 63.874 64.094 64.094 64.324 64.324 64.565 64.816 64.939 64.939 64.941 64.942 64.944 64.944 64.946 64.948 64.948 64.948	2,854,944 2,748,713 2,748,725 2,802,937 2,802,937 2,858,256 2,858,256 2,914,665 2,914,665 2,972,210 3,030,937 3,030,937 3,090,796 3,151,873 3,151,873 3,151,873 3,151,873 3,214,174 3,277,672 3,277,672 3,342,492 3,408,611 3,408,611 3,408,611 3,476,054 3,476,054 3,476,054 3,544,793	228,396 219,897 219,898 224,235 228,660 228,660 233,173 237,777 237,777 242,475 242,475 247,264 247,264 247,264 252,150 252,150 252,150 257,134 267,399 267,399 272,689 272,689 272,689 272,689 272,689 278,084 283,583 283,583	3,273,412 3,333,060 3,338,060 3,404,023 3,404,023 3,471,307 3,471,307 3,539,885 3,539,885 3,609,891 3,609,891 3,681,300 3,681,300 3,754,138 3,754,138	42,824 41,231 41,231 42,044 42,044 42,874 43,720 43,720 44,583 44,583 45,464 45,464 46,362 46,362 47,278 47,278 48,213 48,213 49,165 50,137 50,137 51,129 51,129 52,141 52,141 53,172	7,000 7,000	3,033,516 2,920,379 2,920,392 2,978,128 2,978,128 3,037,043 3,097,118 3,158,404 3,158,404 3,220,948 3,220,948 3,284,698 3,349,745 3,416,095 3,483,720 3,552,754 3,552,754 3,623,170 3,693,997 3,694,997 3,694,997 3,694,997	2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035 2036 2037 2038 2040 2041 2042 2043 2044 2045 2046 2047 2048 2049 2050 2051 2052 2053
2053 2054 2055	54,852,369 55,936,479 55,936,479	64.949 64.951 64.951	3,544,793 3,614,965 3,614,965	283,583 289,197 289,197	3,828,377 3,904,162 3,904,162	53,172 54,224 54,224	7,000 7,000 7,000	3,768,205 3,842,937 3,842,937	2053 2054 2055
			97,753,249	7,820,260	105,573,509	1,466,299	217,000	103,890,211	

### FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS DEBT SERVICE FUND ONLY

#### **SUMMARY - DEBT SERVICE FUND**

								Cash Bal	ances	
		Net Debt	Net Debt	Less	Cash	Net Debt		Annual	Cumulative	
	Available	Service on	Service on	Funds on	Available for	Service on	Total	Surplus	Surplus	
Collection	For	2020A	\$ 38,620,000	Hand	Subordinate	\$8,068,000	Cash	Cash	Cash	Collection
Year	Debt Service	Bonds	2025A Bonds	Used as	Bonds	2025B Bonds	Disbursements	(Deficit)	Balances	Year
	(See Page 3)		(See Page 7)	A Source		(See Page 8)				
				(See Page 7)						
2025	3,033,516	682,363	335,044	2,016,109	-	-	3,083,340		-	2025
2026	2,920,379	Refunded	2,335,263	-	585,117	585,117	2,968,610	-	-	2026
2027	2,920,392	-	2,334,013	-	586,380	586,380	2,968,623	-	-	2027
2028	2,978,128	-	2,382,013	-	596,115	596,115	3,027,172	-	-	2028
2029	2,978,128	-	2,381,763	-	596,365	595,765	3,026,572	600	600	2029
2030	3,037,043	-	2,425,513	-	611,530	611,988	3,087,374	(457)	143	2030
2031	3,037,043	-	2,426,013	-	611,030	611,000	3,086,886	30	173	2031
2032	3,097,118	-	2,475,263	-	621,856	621,806	3,147,789	50	223	2032
2033	3,097,118	-	2,475,763	-	621,356	620,581	3,147,064	775	997	2033
2034	3,158,404	-	2,524,763	-	633,641	634,081	3,210,427	(440)	557	2034
2035	3,158,404	-	2,524,763	-	633,641	633,275	3,209,621	366	924	2035
2036	3,220,948	-	2,573,013	-	647,935	648,056	3,273,533	(121)	802	2036
2037	3,220,948	-	2,572,013	-	648,935	649,325	3,273,802	(390)	412	2037
2038	3,284,698	-	2,624,013		660,685	660,906	3,338,281	(221)	191	2038
2039	3,284,698	-	2,626,263	/ · · · · -	658,435	658,044	3,337,668	391	583	2039
2040	3,349,745	-	2,676,013	-	673,732	673,631	3,403,922	101	684	2040
2041	3,349,745	-	2,675,763	-	673,982	674,363	3,404,403	(380)	304	2041
2042	3,416,095	-	2,729,863		686,232	686,131	3,471,206	101	405	2042
2043	3,416,095	-	2,727,925	<i>-</i>	688,170	688,113	3,471,250	57	462	2043
2044	3,483,720	-	2,782,575		701,145	700,856	3,539,596	289	751	2044
2045	3,483,720	-1	2,785,663	\\/-	698,058	698,538	3,540,365	(480)	271	2045
2046	3,552,754	-	2,839,550	-	713,204	713,050	3,609,737	154	425	2046
2047	3,552,754	=	2,840,550	<b>5</b>	712,204	712,156	3,609,844	48	472	2047
2048	3,623,170	=	2,897,300	-	725,870	725,750	3,681,179	120	593	2048
2049	3,623,170	-	2,896,800	-	726,370	726,731	3,681,660	(361)	232	2049
2050	3,694,997	-	2,916,550	-	778,447	777,788	3,753,478	660	892	2050
2051	3,694,997	-	2,920,300	-	774,697	775,344	3,754,785	(646)	246	2051
2052	3,768,205	-	2,917,375	-	850,830	850,700	3,828,247	130	376	2052
2053	3,768,205	-	2,917,850	-	850,355	850,356	3,828,378	(1)	374	2053
2054	3,842,937	-	2,916,175	_	926,762	926,988	3,904,387	(225)	149	2054
2055	3,842,937	-	2,917,075	-	925,862	903,094	3,881,393	22,769	22,918	2055
	103,890,211	682,363	80,372,794	2,016,109	20,818,945	20,796,027	105,550,591	22,918		

#### FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

DEBT SERVICE FUND ONLY

#### SCHEDULE OF ESTIMATED ASSESSED VALUATION - DISTRICT NO. 2

						Reside	ntial Developn	nent							
			794 Units		Est. Biennial	Cumulative	794 Units	Total Annual	Total	Estimated	RESIDENTIAL	Cumulative	Estimated	STATE	
		Ex	emption SB 24	I-233	Revaluation	SF Residential	SB 22-238	Change in	Cumulative	Residential	SINGLE FAMILY	Market	Nonresidential	ASSESSED	TOTAL
Construction	Collection	Max/home	Cumulative	Exemption	per State	Market Value	Exemption	Exemptions	Market Value	Single Family	ASSESSED	Value of	Assessment	AND OTHER	ASSESSED
Year	Year	\$70,000	Value at	Maximum	Statute @	Before Exemptions	\$55,000	per SB 24-233	After	Assessment	VALUATION	Nonresidential	Ratio	VALUATION	VALUATION
		2.86%	10%	\$70,000	2.0%	(To Page 6)			Exemptions	Rate	(To Page 6)	(To Page 6)		(To Page 6)	(To Page 3)
									•						
2023	2025	-	-	-	-	710,445,373	(43,670,000)	-	666,775,373	6.700%	44,673,950	2,587,491	27.90%	721,910	45,395,860
2024	2026	-	-	-	-	684,683,200	- 1	-	684,683,200	6.250%	42,792,700	2,587,491	27.00%	698,623	43,491,323
2025	2027	70,000	-	55,580,000	-	684,683,200	-	(55,580,000)	629,103,200	6.800%	42,779,018	2,587,491	25.00%	646,873	43,425,890
2026	2028	72,002	-	57,169,588	13,693,664	698,376,864	-	(57,169,588)	641,207,276	6.800%	43,602,095	2,587,491	25.00%	646,873	44,248,968
2027	2029	72,002	-	57,169,588	-	698,376,864	-	(57,169,588)	641,207,276	6.800%	43,602,095	2,587,491	25.00%	646,873	44,248,968
2028	2030	76,179	-	60,486,451	13,967,537	712,344,401	-	(60,486,451)	651,857,950	6.800%	44,326,341	2,587,491	25.00%	646,873	44,973,213
2029	2031	76,179	-	60,486,451	<del>.</del>	712,344,401	-	(60,486,451)	651,857,950	6.800%	44,326,341	2,587,491	25.00%	646,873	44,973,213
2030	2032	80,599	-	63,995,751	14,246,888	726,591,289	-	(63,995,751)	662,595,538	6.800%	45,056,497	2,587,491	25.00%	646,873	45,703,369
2031	2033	80,599	-	63,995,751		726,591,289	-	(63,995,751)	662,595,538	6.800%	45,056,497	2,587,491	25.00%	646,873	45,703,369
2032	2034	85,275	-	67,708,654	14,531,826	741,123,115	-	(67,708,654)	673,414,461	6.800%	45,792,183	2,587,491	25.00%	646,873	46,439,056
2033	2035	85,275	-	67,708,654	-	741,123,115	-	(67,708,654)	673,414,461	6.800%	45,792,183	2,587,491	25.00%	646,873	46,439,056
2034	2036	90,223	-	71,636,972	14,822,462	755,945,577	-	(71,636,972)	684,308,605	6.300%	46,532,985	2,587,491	25.00%	646,873	47,179,858
2035 2036	2037 2038	90,223 95,457	-	71,636,972 75,793,203	- 15,118,912	755,945,577 771,064,489	-	(71,636,972) (75,793,203)	684,308,605 695,271,286	6.800% 6.800%	46,532,985 47,278,447	2,587,491 2,587,491	25.00% 25.00%	646,873 646,873	47,179,858 47,925,320
2036	2036	95,457 95,457	-	75,793,203	15,116,912	771,064,489	-	(75,793,203)	695,271,286	6.800%	47,278,447	2,587,491	25.00%	646,873	47,925,320 47,925,320
2037	2039	100,996	78,648,578	75,795,205	15,421,290	786,485,779	-	(78,648,578)	707,837,201	6.800%	48,132,930	2,587,491	25.00%	646,873	48,779,802
2039	2041	100,996	78,648,578	_	10,421,200	786,485,779	_	(78,648,578)	707,837,201	6.800%	48,132,930	2,587,491	25.00%	646,873	48,779,802
2040	2042	106,855	80,221,549	_	15,729,716	802,215,494	_	(80,221,549)	721,993,945	6.800%	49,095,588	2,587,491	25.00%	646,873	49,742,461
2040	2042	106,855	80,221,549	_	15,725,710	802,215,494		(80,221,549)	721,993,945	6.800%	49,095,588	2,587,491	25.00%	646,873	49,742,461
2041	2043	113,055	81,825,980	_	16,044,310	818,259,804	_	(81,825,980)	736,433,824	6.800%	50,077,500	2,587,491	25.00%	646,873	50,724,373
2042	2044	113,055	81,825,980	_	10,044,510	818,259,804		(81,825,980)	736,433,824	6.800%	50.077.500	2,587,491	25.00%	646,873	50,724,373
2043	2045	119,614	83,462,500	-	16,365,196	834,625,000	-	(83,462,500)	751,162,500	6.800%	51,079,050	2,587,491	25.00%	646,873	51,725,923
2044	2040	119,614	83,462,500	-	10,303,190	834,625,000		(83,462,500)	751,162,500	6.800%	51,079,050	2,587,491	25.00%	646,873	51,725,923
2045	2047	126,554	85,131,750		16,692,500	851,317,500		(85,131,750)	766,185,750	6.800%	52,100,631	2,587,491	25.00%	646,873	52,747,504
2046				-	10,092,500		-			6.800%					
	2049	126,554	85,131,750	-	-	851,317,500		(85,131,750)	766,185,750		52,100,631	2,587,491	25.00%	646,873	52,747,504
2048	2050	133,896	86,834,385	-	17,026,350	868,343,850	-	(86,834,385)	781,509,465	6.800%	53,142,644	2,587,491	25.00%	646,873	53,789,516
2049	2051	133,896	86,834,385	-	47.000	868,343,850	-	(86,834,385)	781,509,465	6.800%	53,142,644	2,587,491	25.00%	646,873	53,789,516
2050	2052	141,665	88,571,073	-	17,366,877	885,710,727		(88,571,073)	797,139,655	6.800%	54,205,497	2,587,491	25.00%	646,873	54,852,369
2051	2053	141,665	88,571,073	-		885,710,727	\\\-	(88,571,073)	797,139,655	6.800%	54,205,497	2,587,491	25.00%	646,873	54,852,369
2052	2054	149,884	90,342,494	-	17,714,215	903,424,942		(90,342,494)	813,082,448	6.800%	55,289,606	2,587,491	25.00%	646,873	55,936,479
2053	2055	149,884	90,342,494	-	-	903,424,942		(90,342,494)	813,082,448	6.800%	55,289,606	2,587,491	25.00%	646,873	55,936,479
					218.741.742										

#### FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

DEBT SERVICE FUND ONLY

#### SCHEDULE OF ESTIMATED DEBT MILL LEVY - DISTRICT NO. 2

		Prior Year Prop	erty Tax Reve	enue			Prior Year F	Property Tax Re	venue		Mill	Levy Adjustme	nto
		Resi	dential				Commercial, St	tate Assessed,	and Other		IVIIII	Levy Adjustine	nts
	Residential	Cumulative	Residential	Base	Prior		Cumulative	Nonresidential	Base	Prior	Total	Total	Adjusted
	Single Family	Residential	Assessment	Maximum	Residential	Nonresidential	Nonresidential	Assessment	Maximum	Nonresidential	Current	Prior	Maximum
Collection	Assessed	Market Value	Rate	Debt	Property	Assessed	Market	Rate	Debt	Property	Assessed	Property	Debt
Year	Valuation	Before Exemptions		Mill	Tax	Valuation	Value		Mill	Tax	Valuation	Tax	Mill Levy
	(See Page 5)	(See Page 5)		Levy	Revenue	(See Page 5)	(See Page 5)		Levy	Revenue		Revenue	(To Page 3)
2025	44,673,950	710,445,373	7.96%	50.000	2,827,573	721,910	2,587,491	29.00%	50.000	37,519	45,395,860	2,865,091	63.206
2026	42,792,700	684,683,200	7.96%	50.000	2,725,039	698,623	2,587,491	29.00%	50.000	37,519	43,491,323	2,762,558	63.519
2027	42,779,018	684,683,200	7.96%	50.000	2,725,039	646,873	2,587,491	29.00%	50.000	37,519	43,425,890	2,762,558	63.615
2028	43,602,095	698,376,864	7.96%	50.000	2,779,540	646,873	2,587,491	29.00%	50.000	37,519	44,248,968	2,817,059	63.663
2029	43,602,095	698,376,864	7.96%	50.000	2,779,540	646,873	2,587,491	29.00%	50.000	37,519	44,248,968	2,817,059	63.663
2030	44,326,341	712,344,401	7.96%	50.000	2,835,131	646,873	2,587,491	29.00%	50.000	37,519	44,973,213	2,872,649	63.874
2031	44,326,341	712,344,401	7.96%	50.000	2,835,131	646,873	2,587,491	29.00%	50.000	37,519	44,973,213	2,872,649	63.874
2032	45,056,497	726,591,289	7.96%	50.000	2,891,833	646,873	2,587,491	29.00%	50.000	37,519	45,703,369	2,929,352	64.094
2033	45,056,497	726,591,289	7.96%	50.000	2,891,833	646,873	2,587,491	29.00%	50.000	37,519	45,703,369	2,929,352	64.094
2034	45,792,183	741,123,115	7.96%	50.000	2,949,670	646,873	2,587,491	29.00%	50.000	37,519	46,439,056	2,987,189	64.324
2035	45,792,183	741,123,115	7.96%	50.000	2,949,670	646,873	2,587,491	29.00%	50.000	37,519	46,439,056	2,987,189	64.324
2036	46,532,985	755,945,577	7.96%	50.000	3,008,663	646,873	2,587,491	29.00%	50.000	37,519	47,179,858	3,046,182	64.565
2037 2038	46,532,985 47,278,447	755,945,577 771,064,489	7.96% 7.96%	50.000 50.000	3,008,663 3,068,837	646,873 646,873	2,587,491 2,587,491	29.00% 29.00%	50.000 50.000	37,519 37,519	47,179,858 47,925,320	3,046,182 3,106,355	64.565 64.816
2038	47,278,447 47,278,447	771,064,489	7.96% 7.96%	50.000	3,068,837	646,873	2,587,491	29.00%	50.000	37,519 37,519	47,925,320	3,106,355	64.816
2039	48,132,930	786,485,779	7.96%	50.000	3,130,213	646,873	2,587,491	29.00%	50.000	37,519	48,779,802	3,167,732	64.939
2040	48,132,930	786,485,779	7.96%	50.000	3,130,213	646,873	2,587,491	29.00%	50.000	37,519	48,779,802	3,167,732	64.939
2041			7.96% 7.96%		3,130,213		, ,	29.00%	50.000				64.939
	49,095,588	802,215,494		50.000 50.000	3,192,818	646,873	2,587,491			37,519 37,519	49,742,461	3,230,336	
2043	49,095,588	802,215,494	7.96%			646,873	2,587,491	29.00%	50.000		49,742,461	3,230,336	64.941
2044	50,077,500	818,259,804	7.96%	50.000	3,256,674	646,873	2,587,491	29.00%	50.000	37,519	50,724,373	3,294,193	64.942
2045	50,077,500	818,259,804	7.96%	50.000	3,256,674	646,873	2,587,491	29.00%	50.000	37,519	50,724,373	3,294,193	64.942
2046	51,079,050	834,625,000	7.96%	50.000	3,321,808	r	2,587,491	29.00%	50.000	37,519	51,725,923	3,359,326	64.944
2047	51,079,050	834,625,000	7.96%	50.000	3,321,808	646,873	2,587,491	29.00%	50.000	37,519	51,725,923	3,359,326	64.944
2048	52,100,631	851,317,500	7.96%	50.000	3,388,244	646,873	2,587,491	29.00%	50.000	37,519	52,747,504	3,425,762	64.946
2049	52,100,631	851,317,500	7.96%	50.000	3,388,244	646,873	2,587,491	29.00%	50.000	37,519	52,747,504	3,425,762	64.946
2050	53,142,644	868,343,850	7.96%	50.000	3,456,009	646,873	2,587,491	29.00%	50.000	37,519	53,789,516	3,493,527	64.948
2051	53,142,644	868,343,850	7.96%	50.000	3,456,009	646,873	2,587,491	29.00%	50.000	37,519	53,789,516	3,493,527	64.948
2052	54,205,497	885,710,727	7.96%	50.000	3,525,129	646,873	2,587,491	29.00%	50.000	37,519	54,852,369	3,562,647	64.949
2053	54,205,497	885,710,727	7.96%	50.000	3,525,129	646,873	2,587,491	29.00%	50.000	37,519	54,852,369	3,562,647	64.949
2054	55,289,606	903,424,942	7.96%	50.000	3,595,631	646,873	2,587,491	29.00%	50.000	37,519	55,936,479	3,633,150	64.951
2055	55,289,606	903,424,942	7.96%	50.000	3,595,631	646,873	2,587,491	29.00%	50.000	37,519	55,936,479	3,633,150	64.951

#### FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

DEBT SERVICE FUND ONLY

#### SCHEDULE OF ESTIMATED SENIOR BONDS DEBT SERVICE REQUIREMENTS

FOR THE CALENDAR YEARS ENDING 2025 THROUGH 2055

	Series 2025A Sen	ior Bond Issue				
	Dated: Issued: Interest Rates: Maturity Date:	October 1, 2025 October 1, 2025 5.000% 12/1/2055	5.250%	Principal payme December 1 5.500%	nts due on	
				Total		
_		1		2025A	Bond	•
				Bonds	Principal	
Year	Principal	Coupon	Interest	Debt Service	Outstanding	Year
				(To Page 4)		
2025	-	5.000%	335,044	335,044	38,620,000	2025
2026	325,000	5.000%	2,010,263	2,335,263	38,295,000	2026
2027	340,000	5.000%	1,994,013	2,334,013	37,955,000	2027
2028	405,000	5.000%	1,977,013	2,382,013	37,550,000	2028
2029	425,000	5.000%	1,956,763	2,381,763	37,125,000	2029
2030	490,000	5.000%	1,935,513	2,425,513	36,635,000	2030
2031	515,000	5.000%	1,911,013	2,426,013	36,120,000	2031
2032	590,000	5.000%	1,885,263	2,475,263	35,530,000	2032
2033	620,000	5.000%	1,855,763	2,475,763	34,910,000	2033
2034	700,000	5.000%	1,824,763	2,524,763	34,210,000	2034
2035	735,000	5.000%	1,789,763	2,524,763	33,475,000	2035
2036	820,000	5.000%	1,753,013	2,573,013	32,655,000	2036
2037	860,000	5.000%	1,712,013	2,572,013	31,795,000	2037
2038	955,000	5.000%	1,669,013	2,624,013	30,840,000	2038
2039	1,005,000	5.000%	1,621,263	2,626,263	29,835,000	2039
2040	1,105,000	5.000%	1,571,013	2,676,013	28,730,000	2040
2041	1,160,000	5.250%	1,515,763	2,675,763	27,570,000	2041
2042	1,275,000	5.250%	1,454,863	2,729,863	26,295,000	2042
2043	1,340,000	5.250%	1,387,925	2,727,925	24,955,000	2043
2044	1,465,000	5.250%	1,317,575	2,782,575	23,490,000	2044
2045	1,545,000	5.250%	1,240,663	2,785,663	21,945,000	2045
2046	1,680,000	5.000%	1,159,550	2,839,550	20,265,000	2046
2047	1,765,000	5.000%	1,075,550	2,840,550	18,500,000	2047
2048	1,910,000	5.000%	987,300	2,897,300	16,590,000	2048
2049	2,005,000	5.000%	891,800	2,896,800	14,585,000	2049
2050	2,125,000	5.000%	791,550	2,916,550	12,460,000	2050
2051	2,235,000	5.500%	685,300	2,920,300	10,225,000	2051
2052	2,355,000	5.500%	562,375	2,917,375	7,870,000	2052
2053	2,485,000	5.500%	432,850	2,917,850	5,385,000	2053
2054	2,620,000	5.500%	296,175	2,916,175	2,765,000	2054
2055	2,765,000	5.500%	152,075	2,917,075	-	2055

41,752,794

80,372,794

Use of Proceeds:		
Project Fund	3,269,826	
Refunding Escrow Deposit	38,927,676	
Cost of Issuance	564,250	
Underwriter's Discount	193,100	
Insurance (50bps)	200,932	
Surety	58,406	
Less Other Sources of Funds:		
Premium	578,081	
Reserve Funds	2,000,000	
Other Funds on Hand	2,016,109	(To Page 4)
	28 620 000	
	38,620,000	

38,620,000

### FORECASTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS DEBT SERVICE FUND ONLY

SUMMARY - DEBT SERVICE FUND

#### SCHEDULE OF ESTIMATED SUBORDINATE BONDS DEBT SERVICE REQUIREMENTS

FOR THE CALENDAR YEARS ENDING 2025 THROUGH 2055

Series 2025B	Subordinate Bo	nd Issue	
Dated:	October 1, 2025	i	\$8,068,000
Issued:	October 1, 2025	;	
Interest Rate:	6.875%	compounded annually	

Principal payments: 6.675% compounded annually due on December 15

				Bond Interest			
	Bond Pr	incipal	Interest Accrued			Total 2025B	
			on Outstanding		Cumulative	Bonds	
	Principal	Outstanding	Principal	Interest	Unpaid	Debt Service	
	Payments	Balance	and Unpaid	Payments	Interest	Payments	
Year	,		Interest	·		(To Page 4)	Year
			1	l l		, ,	
2025	_	8,068,000	114,017	_	114,017	-	2025
2026	_	8,068,000	562,514	585,117	91,414	585,117	2026
2027	-	8,068,000	560,960	586,380	65,993	586,380	2027
2028	_	8,068,000	559,212	596,115	29,090	596,115	2028
2029	10,000	8,058,000	556,675	585,765	<i>A</i> -	595,765	2029
2030	58,000	8,000,000	553,988	553,988		611,988	2030
2031	61,000	7,939,000	550,000	550,000		611,000	2031
2032	76,000	7,863,000	545,806	545,806		621,806	2032
2033	80,000	7,783,000	540,581	540,581		620,581	2033
2034	99,000	7,684,000	535,081	535,081		634,081	2034
2035	105,000	7,579,000	528,275	528,275	G	633,275	2035
2036	127,000	7,452,000	521,056	521,056		648,056	2036
2037	137,000	7,315,000	512,325	512,325	11.9	649,325	2037
2038	158,000	7,157,000	502,906	502,906		660,906	2038
2039	166,000	6,991,000	492,044	492,044		658,044	2039
2040	193,000	6,798,000	480,631	480,631	-	673,631	2040
2041	207,000	6,591,000	467,363	467,363	· .	674,363	2041
2042	233,000	6,358,000	453,131	453,131	_	686,131	2042
2043	251,000	6,107,000	437,113	437,113	-	688,113	2043
2044	281,000	5,826,000	419,856	419,856	-	700,856	2044
2045	298,000	5,528,000	400,538	400,538	-	698,538	2045
2046	333,000	5,195,000	380,050	380,050	-	713,050	2046
2047	355,000	4,840,000	357,156	357,156	-	712,156	2047
2048	393,000	4,447,000	332,750	332,750	-	725,750	2048
2049	421,000	4,026,000	305,731	305,731	-	726,731	2049
2050	501,000	3,525,000	276,788	276,788	-	777,788	2050
2051	533,000	2,992,000	242,344	242,344	-	775,344	2051
2052	645,000	2,347,000	205,700	205,700	-	850,700	2052
2053	689,000	1,658,000	161,356	161,356	-	850,356	2053
2054	813,000	845,000	113,988	113,988	-	926,988	2054
2055	845,000	.55	58,094	58,094	-	903,094	2055
	8,068,000		12,728,027	12,728,027	_	20,796,027	_

USE OF PROCEFUS	
Project Fund Underwriter's Discount	7,825,960 242,040
	8,068,000

# SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

#### **AUGUST 15, 2025**

#### 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 Supported District No. 2 Refunding and Improvement Senior Bonds, Series 2025A (the "Senior Bonds"), and Limited Tax Supported District No. 2 Subordinate Bonds, Series 2025B (the "Subordinate Bonds", and together with the Senior Bonds, the "Bonds") of Sterling Ranch Community Authority Board (the "CAB" or the "Issuer"), located in Douglas County (the "County"), Colorado. The Bonds are secured by and payable from revenues generated by property located in Sterling Ranch Colorado Metropolitan District No. 2 (the "District") in accordance with the Amended and Restated Pledge Agreement between the CAB and the District dated November 1, 2020 (the "Pledge Agreement"). The forecast displays how the proposed Bonds will be repaid from forecasted cash receipts and disbursements of the CAB under the following assumptions.

This financial forecast presents to the best knowledge and belief of the Board of Directors (the "Board") of the CAB (collectively with the Board, "Management"), the CAB's expected cash position and results of cash receipts and disbursements for the forecast period for the Debt Service Fund. Accordingly, the forecast reflects Management's judgment, as of August 15, 2025, the date of this forecast, of the expected conditions within the District (defined below), and the CAB'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 2025 dollars, with adjustments for inflation. The cumulative market values are forecasted to increase 2% biennially pursuant to the reassessment of property required by State statute.

The Senior Bonds are being issued pursuant to a Trust Indenture dated as of December 1, 2019 (the "Master Indenture"), between the Issuer and BOKF, NA, as successor to UMB Bank, n.a., Denver, Colorado, as trustee (the "Trustee"), as supplemented by the Series 2025A Supplemental Trust Indenture dated as of \_\_\_\_\_ 1, 2025 (the "2025A Supplemental Indenture," and together with the Master Indenture, the "2025A Senior Indenture"). The Subordinate Bonds are being issued pursuant to the Master Indenture, as supplemented by the Series 2025B Supplemental Trust Indenture dated as of \_\_\_\_\_ 1, 2025 (the "2025B Subordinate Indenture," and together with the 2025A Senior Indenture, the "Indentures").

# SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

#### **AUGUST 15, 2025**

#### NOTE 1) NATURE AND LIMITATION OF FORECAST (CONTINUED)

The Indentures, and the Pledge Agreement are discussed in this Summary of Significant Forecast Assumptions and Accounting Policies. Any reference to the Indentures, and the Pledge Agreement herein is a brief summarization of certain provisions only. The complete Indentures, and the Pledge Agreement are available to the investors of the Bonds and will prevail in the event of a conflict between the Indentures, the Pledge Agreement, and the forecast.

Certain capitalized terms in this forecast may not be defined herein. The reader of this forecast should refer to the Indentures, and the Pledge Agreement for such definitions.

#### **NOTE 2) DEVELOPER**

Sterling Ranch, LLC, a Delaware limited liability company (together with certain affiliated entities, "SR LLC" or the "Developer"), is the owner of most of the land within Sterling Ranch Development and serves as the master developer for the Development.

#### **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 Authority will prepare its financial statements.

#### **NOTE 4) PLEDGE AGREEMENT**

Pursuant to the Pledge Agreement, the District has agreed, among other things to: (a) permit the issuance of the Taxing District Debt Obligations (as defined in the Pledge Agreement), which include the Senior Bonds and the Subordinate Bonds, by the Issuer; (b) pay as much of the Annual Obligations Costs (as defined in the Pledge Agreement, which includes the debt service on the Bonds) as may be funded with the Pledged Revenues.

#### **NOTE 5) PROPERTY TAXES**

The primary source of revenue or cash receipts will be ad valorem property taxes. Property taxes are levied by the Taxing Districts' Board of Directors. 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.

# SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

#### **AUGUST 15, 2025**

#### NOTE 5) PROPERTY TAXES (CONTINUED)

The property taxes resultant from the mill levy and assessed valuation have been reduced by 0.5% to allow for uncollectible taxes.

#### **District Debt Mill Levy Cap**

Pursuant to District No. 2's Service Plan and the Establishment Agreement until such time as the assessed valuation of all taxable property within the boundaries of the Districts whose mill levies are pledged or obligated for a particular debt is equal to or greater than two times the outstanding principal amount of such debt of such Districts, (together with the principal amount of any series of general obligation bonds proposed for release from the District Debt Mill Levy Cap), the District and the other Districts may not impose a debt service mill levy that is greater than 50 mills (the "District Debt Mill Levy Cap"), subject to adjustment as described below.

The District Debt Mill Levy Cap may be adjusted to take into account legislative or constitutionally imposed adjustments in assessed values or the method of their calculation (as of January 1, 2013), so that, to the extent possible, the actual revenues generated by the District Debt Mill Levy Cap are neither diminished nor enhanced as a result of such changes. Among other adjustments, a change in the ratio of actual valuation of assessable property will be deemed a change in the method of calculating assessed valuation. As a result of changes that have occurred in the method of calculating assessed valuation after January 1, 2013, the District Debt Mill Levy Cap is currently calculated at 63.206 mills for collection in 2025.

#### Mill Levy Adjustment

On August 29, 2024, the Colorado General Assembly passed, and on September 4, 2024 the Governor signed, House Bill 24B-1001 ("HB 24B-1001"), which amends or adds to certain portions of Colorado Revised Statutes ("C.R.S"), 39-1-104, relating to valuation of assessment of residential and nonresidential property. Certain sections of C.R.S. 39-1-104 were not amended by HB 24B-1001 and remain in place.

Multi-family residential real property is defined as residential real property that is a duplex, triplex, or multi-structure of four or more units. Multi-family residential real property is a subclass of residential real property for purposes of the ratio of valuation for assessment, unless otherwise addressed in C.R.S. 39-1-104.

# SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

#### **AUGUST 15, 2025**

#### NOTE 5) PROPERTY TAXES (CONTINUED)

#### Mill Levy Adjustment (Continued)

The following assessment ratios and exemptions from taxable values are in accordance with C.R.S. 39-1-104, as amended by HB 24B-1001:

		evy Year ection Year	2025 Levy Year 2026 Collection Year		2026 Le		2027 Levy Year 2028 Collection Year	
Property Class	Assessment Ratio	Temporary Exemption <sup>(1)</sup>	Assessment (2)	Ratio	Assessment Ratio (2)	Exemption (3)	Assessment Ratio	Exemption (3)
Residential	6.70%	\$55k	6.15% / 6.25%		6.70% / 6.80%	10% / \$70k	6.80%	10% / \$70k
Multi-Family Residential	6.70%	\$55k	6.15% / 6.25%		6.70% / 6.80%	10% / \$70k	6.80%	10% / \$70k
Improved Commercial	27.90%	\$30k	27.00%		25.00%	16	25.00%	-
Agricultural	26.40%	-	27.00%		25.00%		25.00%	-
Industrial	27.90%	-	27.00%		26.00%	<b>.</b>	25.00%	-
Vacant Land	27.90%	-	27.00%		26.00%	-	25.00%	-
Personal Property	27.90%	-	27.00%	4	26.00%	-	25.00%	-
Oil & Gas	87.50%	-	87.50%		87.50%	-	87.50%	-

<sup>(1)</sup> Actual value of the property is reduced by the amount of the above temporary exemption or the amount that causes the valuation for assessment of the property to be \$1,000.

As discussed in Note 1, market values for residential properties are forecasted to increase at a rate of less than 5% annually. Therefore, the forecast assumes the assessment rate for all residential property will be 6.25% of the actual value of such property in tax collection year 2026. The forecast also assumes the assessment rate for all residential property will be 6.80% of the actual value of such property, as reduced by the lesser of 10% of the actual value of the property or \$70,000, as increased for inflation, in tax collection year 2027.

The forecast assumes the assessment rate for all residential property will remain at 6.80% of the actual value of such property, as reduced by the lesser of 10% of the actual value of the property or \$70,000, as increased for inflation in the first year of each subsequent assessment cycle beginning in tax collection year 2028 and remaining at the same levels throughout the remainder of the term of the forecast. The forecast also assumes the assessment rates for all nonresidential property will remain at 25.00%, beginning in tax collection year 2027, and throughout the remainder of the forecast period.

Any decrease in the assessment rates will reduce the assessed valuation of property (assuming the actual value of such property remains static) and is expected to result in a decrease in revenues generated from the imposition of ad valorem property taxes on property, absent an increase in the number of mills imposed to make up for such loss in revenues.

<sup>(2)</sup> If the statewide actual value change for residential property is more than 5%, the assessment ratio will be 6.15% in collection year 2026 and 6.70% in collection year 2027. If the statewide actual value change for residential property is less than 5%, the assessment ratio will be 6.25% in collection year 2026 and 6.80% in collection year 2027.

<sup>(3)</sup> Actual value of the property is reduced by the lesser of 10% of the actual value of the property or \$70,000 as increased for inflation in the first year of each subsequent reassessment cycle.

# SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

#### **AUGUST 15, 2025**

#### NOTE 5) PROPERTY TAXES (CONTINUED)

#### Mill Levy Adjustment (Continued)

The Senior Required Mill Levy (defined below), and the Subordinate Required Mill Levy (defined below) are each required to adjust in the event of a change in the method of calculating assessed valuation (including a change in the assessment rates, as described above) 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.

The forecast reflects the reduction in assessment rates as prescribed by C.R.S. 39-1-104, as amended by HB 24B-1001. The forecast also assumes an increase in the debt mill levy so that the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes.

#### **Assessed Values**

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 25% (as listed in table above).

#### **County Treasurer's Fee**

The County Treasurer's 1.5% fee for collection of property taxes is displayed in the forecast as cash disbursements.

#### **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 the District's share will be equal to approximately 8% 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 District Senior Required Mill Levy and the Subordinate Required Mill Levy are pledged to payment of the Bonds.

# SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

#### **AUGUST 15, 2025**

#### NOTE 7) ADMINISTRATIVE AND OPERATION AND MAINTENANCE COSTS

Administrative costs include the services necessary to maintain the administrative viability of the Issuer such as legal, management, accounting and audit, general engineering, insurance, banking, meeting expense, and other administrative expenses.

Operation and maintenance costs are related to parks and recreation, utilities, general maintenance, snow removal, office lease, and covenant review and enforcement.

The Issuer provides administrative and operation and maintenance services with respect to the public improvements located within the boundaries of the Sterling Ranch Districts in accordance with the Establishment Agreement. The District and the other Sterling Ranch Districts are obligated to fund the cost of these services through the imposition of mill levies and collection of property taxes and other fees. Cash receipts of District's General Fund are transferred to the Issuer to be applied to administrative and operations and maintenance costs. Similarly, the other Sterling Ranch Districts transfer their General Fund cash receipts to the Issuer to be applied to administrative and operations and maintenance costs.

The Issuer will have a significant amount of other operational and maintenance costs associated with water, wastewater, and storm water retail services provided to the residents of the District and the other Sterling Ranch Districts. These costs are anticipated to be funded primarily from water, wastewater, and storm water fees imposed by the Issuer.

To the extent that administrative and operations and maintenance costs exceed cash receipts received by the Issuer from the transfers by the Sterling Ranch Districts and from fees and other revenues generated by the Issuer, the Developer, or its affiliates advance funds to the Issuer to fund such shortfalls.

The General Fund of the CAB is not displayed in the forecast.

#### **NOTE 8) INTEREST INCOME**

Interest income associated with cash balances has not been considered in this forecast.

#### **NOTE 9) TRUSTEE FEES**

The forecast expects that the CAB will pay Trustee fees in the amount of \$4,000 annually for the Senior Bonds and \$3,000 annually for the Subordinate Bonds through the year in which the respective bonds are repaid. The forecast assumes Trustee fees relating to the Bonds due for 2025 will be paid from proceeds of the Bonds.

### SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

#### **AUGUST 15, 2025**

#### **NOTE 10) DEBT SERVICE**

The CAB anticipates to issue the Senior Bonds and the Subordinate Bonds on October 1, 2025, in the amount of \$38,620,000 and \$8,068,000, respectively.

#### **Proceeds of the Bonds**

The Bonds are being issued for the purpose of: (i) refunding certain obligations; (ii) financing and refinancing certain public improvements and in connection therewith paying amounts due and owing under certain agreements; and (iii) paying the premium for the Reserve Policy for the Senior Bonds; (v) paying the premium for the Policy for the Senior Bonds; and (vi) paying other costs incurred in connection with the issuance of the Bonds.

#### **Optional Redemption**

Optional Redemption will be determined upon pricing.

#### **Details of the Senior Bonds**

The Senior Bonds are anticipated to bear interest at the rates ranging from 5.00% to 5.50%, payable semi-annually to the extent of Senior Pledged Revenue available on June 1 and December 1 (the "Interest Payment Date"), beginning on December 1, 2025. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2026. The Bonds mature on December 1, 2055.

#### **Senior Pledged Revenues**

The Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue, defined as: (a) District No. 2 Senior Required Mill Levy Revenue; (b) Specific Ownership Taxes; and (c) any other legally available amounts that the Issuer may designate to be paid to the Trustee for deposit into the Senior Bonds Revenue Fund, or otherwise held under the Senior Indenture.

#### <u>District No. 2 Senior Required Mill Levy Revenue</u>

Pursuant to the Senior Indenture, the District No. 2 Senior Required Mill Levy is defined as an ad valorem mill levy imposed by District No. 2 pursuant to the District No. 2 Pledge Agreement upon all taxable property within its boundaries each year in the following amount: subject to adjustment (b) below, an amount sufficient (taking into account amounts then on deposit in the Senior Bonds Fund available for payment of the applicable Senior Bonds) to pay the principal of, premium if any, and interest on the Senior Bonds, as the same become due and payable, and to replenish the Senior Bonds Reserve Fund to the Senior Bonds Reserve Fund Requirement, to the extent necessary, but not in excess of 50.000 mills (subject to adjustment).

# SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

#### **AUGUST 15, 2025**

#### NOTE 10) DEBT SERVICE (CONTINUED)

#### <u>District No. 2 Senior Required Mill Levy Revenue (Continued)</u>

Provided, however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2013, the levy cap of 50.000 mills will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Issuer 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.

Provided, further, however, notwithstanding anything in the Senior Indenture to the contrary, in no event may the District No. 2 Senior Required Mill Levy be established at a mill levy amount which would cause District No. 2 to derive tax revenue in any year in excess of the maximum tax increases permitted by its electoral authorization, and if the District No. 2 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 District No. 2's electoral authorization, the District No. 2 Senior Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

#### **Details of the Subordinate Bonds**

The Subordinate Bonds will bear interest at the rate of 6.875% per annum payable annually on December 15, beginning December 15, 2025, only to the extent of Subordinate Pledged Revenues. The Subordinate Bonds are structured as cash flow bonds meaning that there are no regularly scheduled payments of principal or interest prior to their maturity date. The stated maturity date of the Subordinate Bonds is December 15, 2055.

To the extent principal of any Subordinate Bond is not paid when due, such principal shall remain outstanding until December 16, 2065 (the "Subordinate Termination Date"). To the extent interest on any Subordinate Bond is not paid when due, such interest shall compound annually on each December 15, at the rate then borne by the Subordinate Bond.

All of the Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on the Subordinate Termination Date, regardless of the amount of principal and interest paid prior to the Subordinate Termination Date.

#### **Subordinate Pledged Revenues**

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Bonds Pledged Revenues meaning the moneys derived by the Issuer from the following sources, net of any costs of collection: (a) the District No. 2 Subordinate Required Mill Levy Revenue; (b) Specific Ownership Taxes; and (c) any other legally available moneys which the Issuer may designate, by resolution of the Board to be paid to the Trustee for deposit in the Subordinate Bonds Fund.

# SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND ACCOUNTING POLICIES

**AUGUST 15, 2025** 

#### NOTE 10) DEBT SERVICE (CONTINUED)

#### District No. 2 Subordinate Required Mill Levy Revenue

Pursuant to the Subordinate Indenture, the District No. 2 Subordinate Required Mill Levy is defined as an ad valorem mill levy imposed by District No. 2 pursuant to the District No. 2 Pledge Agreement upon all taxable property within its boundaries each year in the following amount: subject to adjustment as provided in paragraph (b) below (i) 50.000 mills, less the amount of the District No. 2 Senior Required Mill Levy, or (ii) such lesser mill levy which, when combined with other Subordinate Bonds Pledged Revenue legally available in the Subordinate Bonds Fund, will permit the Subordinate Bonds Fund to be fully funded for the next Bond Year and pay all of the principal and interest on the Subordinate Bonds in full.

In the event the method of calculating assessed valuation is or was changed after January 1, 2013, the levy cap of 50.000 mills 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.

In no event may the District No. 2 Subordinate Required Mill Levy be established at a mill levy amount which would cause District No. 2 to derive tax revenue in any year in excess of the maximum tax increases permitted by its electoral authorization, and if the District No. 2 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 District No. 2's electoral authorization, the District No. 2 Subordinate Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

#### Underwriter

Assumptions related to debt principal amounts, bond interest rates, issuance costs, and other related debt service costs for the proposed Bonds have been provided to Management by Piper Sandler & Co., the underwriter of the proposed bond issuances of the Authority.

This information should be read in connection with the accompanying Accountant's Compilation Report and forecast of financial information.



# EXHIBIT C Draft Preliminary Limited Offering Memorandum

#### PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 19, 2025

NEW ISSUE BOOK-ENTRY ONLY 2025A SENIOR BONDS INSURED RATING ([Rating Agency]): "\_\_"
2025A INSURER: [Insurer]

2025A SENIOR BONDS UNDERYLING RATING: "\_\_\_"

See "RATINGS"

2025B SUBORDINATE BONDS: NON-RATED

In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming the accuracy of certain certifications and continuing compliance with certain covenants, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is excludable from gross income of the owners thereof, and, further, interest on the Bonds is not a tax preference item for purposes of the alternative minimum tax imposed on individuals. In the case of alternative minimum tax imposed by Section 55(b)(2) of the Code on applicable corporations (as defined in Section 59(k) of the Code), interest on the Bonds is not excluded from the determination of adjusted financial statement income. Bond Counsel is further of the opinion that interest on the Bonds is excludable from taxable income for purposes of the State of Colorado income tax and State of Colorado alternative minimum tax. See "TAX MATTERS" herein.

### STERLING RANCH COMMUNITY AUTHORITY BOARD (DOUGLAS COUNTY, COLORADO)

\$[PAR A]\*
Limited Tax Supported District No. 2
Refunding and Improvement Senior Bonds
Series 2025A

\$[PAR B]\*
Limited Tax Supported District No. 2
Subordinate Bonds
Series 2025B

The 2025A Senior Bonds (all capitalized terms are defined herein) are issued as fully registered bonds in denominations of \$5,000 and any integral multiple thereof, pursuant to the 2025A Senior Indenture. The 2025B Subordinate Bonds are issued as fully registered bonds in denominations of \$500,000 and any integral multiple of \$1,000 in excess thereof, pursuant to the 2025B Subordinate Indenture. Purchases of the Bonds are to be made in book-entry form only through The Depository Trust Company, New York, New York. See Appendix B – Book-Entry Only System. The 2025A Senior Bonds bear interest at the rates set forth below, payable semiannually on June 1 and December 1 of each year from available Senior Bonds Pledged Revenues, if any, commencing December 1, 2025. The 2025B Subordinate Bonds bear interest at the rate set forth below, payable annually on December 15 of each year from available Subordinate Bonds Pledged Revenues, if any, commencing December 15, 2025. See "THE 2025A SENIOR BONDS" and "THE 2025B SUBORDINATE BONDS."

The 2025A Senior Bonds are limited tax supported obligations of the Issuer payable solely from and to the extent of the Senior Bonds Pledged Revenues, defined in the 2025A Senior Indenture as: (a) District No. 2 Senior Required Mill Levy Revenue; (b) Senior Specific Ownership Taxes; and (c) any other legally available amounts that the Issuer may designate to be paid to the Trustee for deposit into the Senior Bonds Revenue Fund, or otherwise held under the 2025A Senior Indenture.

The 2025A Senior Bonds are additionally secured by the Senior Bonds Reserve Fund in the amount of the Senior Bonds Reserve Requirement (\$[Required Reserve]\*), which will be satisfied by the issuance of the 2025A Reserve Policy.

The scheduled payment of principal of and interest on the 2025A Senior Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2025A Senior Bonds by [Insurer]. See "BOND INSURANCE – 2025A SENIOR BONDS" and Appendix H. *The 2025A Senior Bond Insurance Policy does not guarantee the payment of any principal or interest on the 2025B Subordinate Bonds.* 

#### [INSURER LOGO]

The 2025B Subordinate Bonds are subordinate limited tax supported obligations of the Issuer payable solely from and to the extent of the Subordinate Bonds Pledged Revenues, defined in the 2025B Subordinate Indenture as the moneys derived by the Issuer from the following sources, net of any costs of collection: (a) the District No. 2 Subordinate Required Mill Levy Revenue; (b) Subordinate Specific Ownership Taxes; and (c) any other legally available amounts that the Issuer may designate, by resolution of the Issuer Board to be paid to the Trustee for deposit in the Subordinate Bonds Fund or otherwise held under the 2025B Subordinate Indenture.

\*Preliminary; subject to change.

ACTIVE 713193732v5

Notwithstanding anything in the 2025B Subordinate Indenture to the contrary, the 2025B Subordinate Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 16, 2065 (the "2025B Discharge Date"), regardless of the amount of principal and interest paid prior to the 2025B Discharge Date.

The 2025B Subordinate Bonds are structured as "cash flow" bonds, meaning that the 2025B Subordinate Indenture contains no scheduled payments of principal on the 2025B Subordinate Bonds other than at maturity. Instead, principal is payable on each December 15 from the available Subordinate Bonds Pledged Revenue, if any, pursuant to a mandatory redemption. Payment of principal of and interest on the 2025B Subordinate Bonds is subordinate to the annual payment of debt service on the 2025A Senior Bonds and any Parity Senior Bonds. According to the Financial Forecast attached hereto as Appendix A, the first payment of principal on the 2025B Subordinate Bonds is not forecasted to be made until December 15, 20[\_\_].\* See "RISK FACTORS – Risks Related to the Financial Forecast."

REPAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS IS SUBJECT TO INVESTMENT RISK. AS SUBORDINATE OBLIGATIONS THAT ARE NOT SECURED BY THE 2025A SENIOR BOND INSURANCE POLICY, REPAYMENT OF THE 2025B SUBORDINATE BONDS IS SUBJECT TO A HIGHER DEGREE OF INVESTMENT RISK THAN THE 2025A SENIOR BONDS. THE BONDS ARE NOT APPROPRIATE FOR ALL INVESTORS. THE 2025B SUBORDINATE BONDS ARE BEING OFFERED AND SOLD ONLY TO "FINANCIAL INSTITUTIONS OR INSTITUTIONAL INVESTORS" AS DEFINED IN SECTION 32-1-103(6.5), COLORADO REVISED STATUTES.

Each series of Bonds is subject to redemption prior to maturity at the option of the Issuer as set forth in the Indentures. Certain of the 2025A Senior Bonds are also subject to mandatory sinking fund redemption on the dates and in the amounts set forth in the 2025A Senior Indenture, and the 2025B Subordinate Bonds are also subject to special mandatory redemption under certain circumstances set forth in the 2025B Subordinate Indenture. See "THE 2025A SENIOR BONDS – Prior Redemption" and "THE 2025B SUBORDINATE BONDS – Prior Redemption."

The Bonds are being issued for the purpose of: (i) refunding certain obligations more fully described herein; (ii) financing and refinancing certain public improvements and in connection therewith paying amounts due and owing under certain agreements; and (iii) paying the premium for the Reserve Policy for the 2025A Senior Bonds; (v) paying the premium for the Policy for the 2025A Senior Bonds; and (vi) paying other costs incurred in connection with the issuance of the Bonds. See "USES OF PROCEEDS."

This cover page contains certain information for quick reference only. It is <u>not</u> a summary of the issue. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision, giving particular attention to the section entitled "RISK FACTORS."

The Bonds are offered when, as, and if issued by the Issuer and accepted by the Underwriter subject to the approval of legality of the Bonds by Greenberg Traurig, LLP, Denver, Colorado, Bond Counsel, and the satisfaction of certain other conditions. Taft Stettinius & Hollister LLP, Denver, Colorado has acted as counsel to the Underwriter. Certain legal matters will be passed upon for the Issuer and the District by their general counsel, Greenberg Traurig, LLP, Denver, Colorado. Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, has served as Municipal Advisor to the Issuer in connection with the issuance of the Bonds. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about October 9, 2025.\*

#### [PIPER SANDLER LOGO]

This Official Statement is dated October \_\_\_, 2025.

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

#### 2025A SENIOR BONDS MATURITY SCHEDULE\*

Maturity Date (December 1)	Principal Amount	Interest Rate	Yield	<u>CUSIP</u> <sup>©</sup>	
\$ _ % Term Bond D	ue December 1, 2	20[] - Price:	% (CUSIP N	umber:©	)
\$ % Term Bond I	Due December 1,	2055 - Price:	% (CUSIP Nu	ımber:©	)
2025B S	UBORDINATE	BONDS MATU	RITY SCHEDU	ILE*	
% Term Bond	Due December 1	5, 2055 - Price:	% (CUSIP	Number:©	)

<sup>\*</sup> Preliminary; subject to change.

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#### USE OF INFORMATION IN THIS OFFICIAL STATEMENT

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

The information set forth in this Official Statement has been obtained from the Issuer, from the sources referenced throughout this Official Statement and from other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information received from parties other than the Issuer.

The Underwriter has provided the following sentence for inclusion in this Official Statement. In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Official Statement but does not guarantee its accuracy or completeness. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized. References to website addresses presented herein are for informational purposes only. Such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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

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

[Insurer] ("[]") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, [] has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding [] supplied by [] and presented under the heading "BOND INSURANCE" and "Appendix H – Specimen Municipal Bond Insurance Policy".

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 Taxing Districts, 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 INSIDE 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 PRICES 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.

# STERLING RANCH COMMUNITY AUTHORITY BOARD (Douglas County, Colorado)

#### **Board of Directors**

Harold R. Smethills, Jr., President/Chairman
C. Richard Shaw, III, Vice President/Assistant Secretary
Ronald Voss, Treasurer/Assistant Secretary
Susan Beckman, Secretary
Diane H. Smethills, Assistant Secretary
Samuel Johnson, Assistant Secretary
Kim Koehn, Assistant Secretary
Lynn Moffat, Assistant Secretary
Steven Roseman, Alternate
Chris Binkley, Alternate

# STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2 (Douglas County, Colorado)

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Piper Sandler & Co. Denver, Colorado

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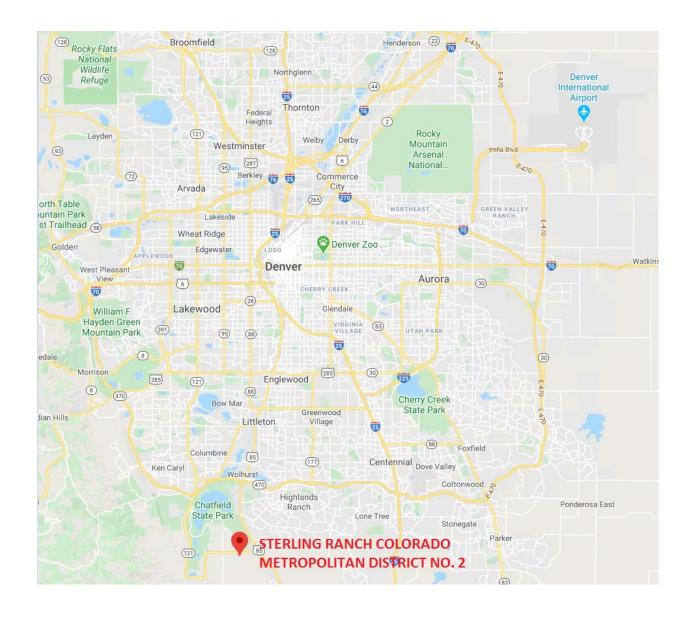
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#### OFFICIAL STATEMENT

# STERLING RANCH COMMUNITY AUTHORITY BOARD (DOUGLAS COUNTY, COLORADO)

\$[PAR A]\*
Limited Tax Supported District No. 2
Refunding and Improvement Senior Bonds
Series 2025A

\$[PAR B]\*
Limited Tax Supported District No. 2
Subordinate Bonds
Series 2025B

#### INTRODUCTION

#### General

This Official Statement, which includes the cover page, inside cover page, and the appendices, provides information in connection with the offer and sale of (i) the Sterling Ranch Community Authority Board Limited Tax Supported District No. 2 Refunding and Improvement Senior Bonds, Series 2025A (the "2025A Senior Bonds"), to be issued by the Sterling Ranch Community Authority Board (the "Issuer"), a political subdivision and public corporation of the State of Colorado (the "State") located in Douglas County, Colorado (the "County"), in the aggregate principal amount of \$[PAR A]\*, and (ii) the Sterling Ranch Community Authority Board Limited Tax Supported District No. 2 Subordinate Bonds, Series 2025B (the "2025B Subordinate Bonds," and together with the 2025A Senior Bonds, the "Bonds"), to be issued by the Issuer in the aggregate principal amount of \$[PAR B]\*.

The Bonds will be issued pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of the Issuer (the "Issuer Board") prior to the issuance of the Bonds. The 2025A Senior Bonds will also be issued pursuant to a Trust Indenture dated as of December 1, 2019 (the "Master Indenture"), between the Issuer and BOKF, NA, Denver, Colorado (as successor trustee), as supplemented by the Series 2025A Supplemental Trust Indenture dated as of October 1, 2025\* (the "2025A Supplemental Indenture," and together with the Master Indenture, the "2025A Senior Indenture"), between the Issuer and BOKF, NA, as trustee (the "Trustee"). The 2025B Subordinate Bonds will also be issued pursuant to the Master Indenture, as supplemented by the Series 2025B Supplemental Trust Indenture dated as of October 1, 2025\* (the "2025B Supplemental Indenture," and together with the Master Indenture, the "2025B Subordinate Indenture," and together with the Master Indenture, the "Indentures"). The Bonds will be further secured by the revenues received from the Amended and Restated Pledge Agreement dated as of November 1, 2020, between the District and the Issuer (the "Pledge Agreement").

The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Official Statement. A full review should be

<sup>\*</sup> Preliminary; subject to change.

made of the entire Official Statement and the documents summarized or described herein, particularly the section entitled "RISK FACTORS." Detachment or other use of this "INTRODUCTION" without the entire Official Statement, including the cover page and appendices, is unauthorized. Undefined capitalized terms have the meanings given in the Master Indenture, the Indentures, or the Pledge Agreement.

# The Issuer and the Sterling Ranch Districts

Organization of the Issuer. The Issuer was organized in January 2014, in accordance with Section 29-1-203, Colorado Revised Statutes, as amended ("C.R.S."), and Section 29-1-203.5, C.R.S. (collectively, the "Authority Act"), pursuant to a Sterling Ranch Community Authority Board Establishment Agreement dated as of January 6, 2014 (as subsequently amended and restated by a First Amended and Restated Sterling Ranch Community Authority Board Establishment Agreement dated effective June 29, 2015, a Second Amended and Restated Sterling Ranch Community Authority Board Establishment Agreement dated effective March 18, 2020, and the First Amendment to Second and Amended and Restated Sterling Ranch Community Authority Board Establishment Agreement dated March 26, 2025), as the same may be further amended from time to time (the "Establishment Agreement"), between Sterling Ranch Colorado Metropolitan District No. 1 ("District No. 1"), Sterling Ranch Colorado Metropolitan District No. 3 ("District No. 3"), Sterling Ranch Colorado Metropolitan District No. 4 ("District No. 4"), Sterling Ranch Colorado Metropolitan District No. 5 ("District No. 5"), Sterling Ranch Colorado Metropolitan District No. 6 ("District No. 6"), and Sterling Ranch Colorado Metropolitan District No. 7 ("District No. 7," and together with District No. 2, District No. 3, District No. 4, District No. 5, and District No. 6, the "Sterling Ranch Districts"), as part of a common plan to provide, with the Sterling Ranch Districts, certain public services and facilities serving the needs of an approximately 3,400-acre master-planned residential and commercial community known as Sterling Ranch (herein, "Sterling Ranch").

Organization of the Sterling Ranch Districts. Prior to establishing the Issuer, the Sterling Ranch Districts were organized on December 10, 2013, pursuant to the approval of the eligible electors of each Sterling Ranch District voting at the election held on November 5, 2013 (the "2013 Election"). The Sterling Ranch Districts are governed by, and operate in accordance with, each Sterling Ranch District's service plan approved by the County on August 27, 2013, and as amended by the respective First Amendment to each Sterling Ranch District's service plan effective July 22, 2025 (collectively, the "Service Plans" and individually, the "Service Plan"), each of which Service Plan contemplates the establishment by the Sterling Ranch Districts of the Issuer in accordance with the Establishment Agreement, for the purposes described herein, and authorizes the Sterling Ranch Districts to provide public improvements, including street, park and recreation, water, sanitation, transportation, mosquito control, safety protection, fire protection, and television relay and translation improvements, and improvements incidental thereto (the "Public Improvements"), as well as to provide covenant enforcement, design review, and security services within and without their respective boundaries.

In accordance with the Establishment Agreement, the Issuer is established for the purpose of furnishing, operating, and planning for the Public Improvements and providing certain services for and on behalf of the Sterling Ranch Districts. Pursuant thereto, the Issuer is to own (to the extent not dedicated to another governmental entity), operate, maintain, finance, and

construct the Public Improvements, and the Sterling Ranch Districts are to contribute to the costs of construction, operation and maintenance of such Public Improvements, as more particularly described herein. See "THE ISSUER – Establishment Agreement."

Location and Boundaries. District No. 2 is generally located in the "Chatfield Basin" in the northwest portion of the County, and is generally bordered on the north by Chatfield State Park, on the east by Santa Fe Drive, on the west by the Hogback Ridge, and on the south by Roxborough Village. District No. 2 contains approximately 319.592 acres and includes a single-family residential development that comprises a portion of Sterling Ranch. An additional 12.512 acre site within District No. 2 is owned by Douglas County School District (the "School Site Parcel") and is being developed as an elementary school. This property will not generate any property tax revenue. See VICINITY MAP and AERIAL VIEW OF STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2 AND GREATER STERLING RANCH DEVELOPMENT AREA.

Assessed Valuation. The 2024 certified assessed valuation of District No. 2 is \$45,395,860. The 2025 preliminary assessed valuation of District No. 2 is \$\_\_\_\_\_\_ [Taft to update]. See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Tax Data."

Other Issuer Indebtedness. Upon issuance of the Bonds, the Issuer will have the following outstanding obligations: (i) its Limited Tax Supported and Special Revenue District No. 3 Refunding and Improvement Bonds, Series 2022, currently outstanding in the aggregate principal amount of \$[99,745,000] (the "2022[A] Bonds"); (ii) its Limited Tax Supported and Special Revenue District No. 3 Subordinate Bonds, Series 2023B, currently outstanding in the aggregate principal amount of \$[12,472,000] (the "2023B Bonds"); (iii) its Limited Tax Supported District Nos. 1-7 Junior Subordinate Bonds Series 2023A-1, currently outstanding in the aggregate principal amount of \$[11,909,056] (the "2023A-1 Junior Subordinate Bonds"); (iv) its Limited Tax Supported District Nos. 1-7 Junior Subordinate Bonds Series 2023A-2 currently outstanding in the aggregate principal amount of \$[87,546,425] (the "2023A-2 Junior Subordinate Bonds"); (v) its Limited Tax Supported and Special Revenue District No. 4 Subdistrict - A Refunding and Improvement Bonds, Series 2024A, currently outstanding in the aggregate principal amount of \$[24,035,000] (the "4A 2024A Bonds"); (vi) its Limited Tax Supported and Special Revenue District No. 4 Subdistrict - A Refunding and Improvement Subordinate Bonds, Series 2024B, currently outstanding in the aggregate principal amount of \$[7,680,000] (the "4A 2024B Bonds"); (vii) its Special Improvement District No. 1 Special Assessment Revenue Bonds, Series 2024 currently outstanding in the aggregate principal amount of \$[43,000,000] (the "2024 SID Bonds"); (viii) its Limited Tax Supported and Special Revenue District No. 4 Subdistrict - B Refunding and Improvement Bonds, Series 2024A, currently outstanding in the aggregate principal amount of \$[24,035,000] (the "4B 2024A Bonds"); (ix) its Limited Tax Supported and Special Revenue District No. 4 Subdistrict - B Refunding and Improvement Subordinate Bonds, Series 2024B, currently outstanding in the aggregate principal amount of \$[7,680,000] (the "4B 2024B Bonds"); (x) its Limited Tax Supported District Nos. 1-7 Junior Subordinate Bonds Series 2025A-1 currently outstanding in the aggregate principal amount of \$[18,629,112] (the "2025A-1 Junior Subordinate Bonds"); (xi) its Limited Tax Supported District Nos. 1-7 Junior Subordinate Bonds Series 2025A-2, currently outstanding in the aggregate principal amount of \$[23,026,885] (the "2025A-2 Junior Subordinate Bonds"); (xii) its Limited Tax Supported District Nos. 1-7 Junior

Subordinate Bonds Series 2025A-3, currently outstanding in the aggregate principal amount of \$[11,854,103] (the "2025A-3 Junior Subordinate Bonds"); and (xiii) its Limited Tax Supported District Nos. 1-7 Junior Subordinate Bonds Series 2025A-4, currently outstanding in the aggregate principal amount of \$[29,523,033] (the "2025A-4 Junior Subordinate Bonds," and together with the 2022[A] Bonds, the 2023B Bonds, the 2023A-1 Junior Subordinate Bonds, the 2023A-2 Junior Subordinate Bonds, the 4A 2024A Bonds, the 4B 2024A Bonds, the 4B 2024A Bonds, the 2025A-1 Junior Subordinate Bonds, the 2025A-2 Junior Subordinate Bonds, and the 2025A-3 Junior Subordinate Bonds the "Existing Bonds").

The 2023A-1 Junior Subordinate Bonds, the 2023A-2 Junior Subordinate Bonds, the 2025A-1 Junior Subordinate Bonds, the 2025A-2 Junior Subordinate Bonds, the 2025A-3 Junior Subordinate Bonds, and the 2025A-4 Junior Subordinate Bonds are payable from ad valorem property taxes collected within the boundaries of the Sterling Ranch Districts (on a junior subordinate basis to taxes collected from Sterling Ranch Districts that are pledged to pay obligations at a higher lien level) and certain fees imposed by the Issuer within the boundaries of the Sterling Ranch Districts. The 2022A Bonds and the 2023B Bonds are payable from ad valorem property taxes collected within the boundaries of District No. 3 and certain fees imposed by the Issuer within the boundaries of District No. 3. The 4A 2024A Bonds and the 4A 2024B Bonds are payable from ad valorem property taxes collected within the boundaries of District No. 4 Subdistrict - A, certain payments in lieu of taxes from property located outside the boundaries of District No. 4 Subdistrict - A, and certain fees imposed by the Issuer within the boundaries of District No. 4. The 4B 2024A Bonds and the 4B 2024B Bonds are payable from ad valorem property taxes collected within the boundaries of District No. 4 Subdistrict - B, certain payments in lieu of taxes from property located outside the boundaries of District No. 4 Subdistrict - B, and certain fees imposed by the Issuer within the boundaries of District No. 4 Subdistrict - B. The SID Bonds are payable from special assessments imposed within the boundaries of Special Improvement District No. 1.

Only the property within the boundaries of the District will generate property taxes and other revenues pledged to the payment of the Bonds. The Bonds are <u>not</u> obligations of the County, the State, the Sterling Ranch Districts, although the District is obligated to pledge certain revenues to the Bonds pursuant to the Pledge Agreement. The Sterling Ranch Districts are not part of this financing and have no obligations under the Indentures or the Pledge Agreement.

#### The Development

The development located within the boundaries of the District (the "Development") is a single-family residential development that comprises a portion of the master planned community known as "Sterling Ranch." The Development consists of 794 single-family lots and the School Site Parcel. Single-family homes have been constructed on all 794 lots and sold to third party homeowners. The School Site Parcel is being developed as an elementary school.

Sterling Ranch. The Development is located within the larger approximately 3,400 acre Sterling Ranch master planned community known as Sterling Ranch. Upon completion, Sterling Ranch is planned to include eight residential villages, a town center with high-density attached residential development, and approximately 1.8 million square feet of non-residential

development including office, retail, schools, a fire station, and industrial space. According to the Sterling Ranch Planned Development Plan approved by the Board of County Commissioners of the County on November 11, 2013 and recorded in the real property records of the County on November 11, 2013 at Reception No. 2013095325 (the "Sterling Ranch PD"), Sterling Ranch is approved for a maximum of 12,050 dwelling units. The Sterling Ranch PD also designates space for roads, trails, drainage systems, and public facilities. The Sterling Ranch PD further divides the maximum allowed 12,050 residences into various character zones and neighborhood types, with designated standards, permitted uses, and restrictions for each zone and type.

# **Security for the 2025A Senior Bonds**

General. The 2025A Senior Bonds are limited tax supported obligations of the Issuer payable solely from and to the extent of the Senior Bonds Pledged Revenues pursuant to the 2025A Senior Indenture and as described herein. The primary component of the Senior Bonds Pledged Revenues is expected to be tax revenues imposed and collected by the District and pledged to the payment of the 2025A Senior Bonds pursuant to the 2025A Senior Indenture. See "SECURITY FOR THE 2025A SENIOR BONDS." Payment of the principal of and interest on the 2025A Senior Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the District.

The 2025A Senior Bonds are additionally secured by the Senior Bonds Reserve Fund in the amount of the Senior Bonds Reserve Requirement (\$[Required Reserve]\*), which will be satisfied by the issuance of the 2025A Reserve Policy.

The Senior Bonds Pledged Revenues may or may not be sufficient to pay the principal of and interest on the 2025A Senior Bonds. *No representation is made by the Issuer, District No. 2 or the Underwriter that the Senior Bonds Pledged Revenues will be sufficient to pay the principal of and interest on the 2025A Senior Bonds.* 

Senior Bonds Pledged Revenues. The Senior Bonds Pledged Revenues are generally defined in the 2025A Senior Indenture to mean: (a) District No. 2 Senior Required Mill Levy Revenue; (b) Senior Specific Ownership Taxes; and (c) any other legally available amounts that the Issuer may designate to be paid to the Trustee for deposit into the Senior Bonds Revenue Fund, or otherwise held under the 2025A Senior Indenture.

District No. 2 Senior Required Mill Levy Revenue. Pursuant to the 2025A Senior Indenture, District No. 2 Senior Required Mill Levy Revenue means revenues generated from the imposition by District No. 2 of the District No. 2 Senior Required Mill Levy, net of collection costs; provided, however, that the District No. 2 Senior Required Mill Levy Revenue does not include Senior Specific Ownership Taxes.

District No. 2 Senior Required Mill Levy. Pursuant to the 2025A Senior Indenture, the District No. 2 Senior Required Mill Levy is defined as an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed by District No. 2 pursuant to the District No. 2 Pledge Agreement upon all taxable property within its boundaries each year in the following amount:

<sup>\*</sup> Preliminary; subject to change.

- (a) subject to adjustment as provided in paragraph (b) below, an amount sufficient (taking into account amounts then on deposit in the Senior Bonds Fund available for payment of the applicable Senior Bonds) to pay the principal of, premium if any, and interest on the Senior Bonds, as the same become due and payable, and to replenish the Senior Bonds Reserve Fund to the Senior Bonds Reserve Fund Requirement, to the extent necessary, but not in excess of 50 mills, subject to adjustment; and
- (b) provided, however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2023, the levy cap of 50 mills will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Issuer 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
- (c) provided, further, however, notwithstanding anything in the 2025A Senior Indenture to the contrary, in no event may the District No. 2 Senior Required Mill Levy be established at a mill levy amount which would cause District No. 2 to derive tax revenue in any year in excess of the maximum tax increases permitted by its electoral authorization, and if the District No. 2 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 District No. 2's electoral authorization, the District No. 2 Senior Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Specific Ownership Taxes. Senior Specific Ownership Taxes are defined in the 2025A Senior Indenture to mean the specific ownership taxes remitted pursuant to Section 42-3-1107, C.R.S., or any successor statute to District No. 2 as a result of imposition by District No. 2 of the District No. 2 Senior Required Mill Levy, net of any costs of collection.

2025A Senior Bond Insurance. The scheduled payment of principal of and interest on the 2025A Senior Bonds when due will be guaranteed under a Municipal Bond Insurance Policy (the "2025A Senior Bond Insurance Policy") to be issued concurrently with the delivery of the 2025A Senior Bonds by [Insurer] (the "2025A Insurer"). See "BOND INSURANCE – 2025A SENIOR BONDS."

The Issuer's obligation to fund the Senior Bonds Reserve Fund in the amount of the Senior Bonds Reserve Requirement will be satisfied under a Municipal Bond Debt Service Reserve Insurance Commitment (the "2025A Reserve Policy") to be issued concurrently with the delivery of the 2025A Senior Bonds by the 2025A Insurer. See "THE 2025A SENIOR BONDS – Funds and Accounts – Senior Bonds Reserve Fund" and "BOND INSURANCE – 2025A SENIOR BONDS."

The 2025A Senior Bonds are solely obligations of the Issuer, although the District is obligated with regard to the 2025A Senior Bonds to the extent set forth in the Pledge Agreement.

The 2025A Senior Bonds are not obligations of the County, the State or the Sterling Ranch Districts.

# **Security for the 2025B Subordinate Bonds**

The payment of the 2025B Subordinate Bonds is subordinate to the annual payment of the 2025A Senior Bonds, including, replenishing the Senior Bonds Reserve Fund to the Senior Bonds Reserve Requirement, if necessary, and annual payments on any additional bonds issued on parity with the lien of the 2025A Senior Bonds pursuant to the 2025A Senior Indenture (defined herein as the "Parity Senior Bonds"), if any. The issuance of Senior Bonds is, however, subject to the provisions of the 2025B Subordinate Indenture. See "SECURITY FOR THE 2025B SUBORDINATE BONDS."

General. The 2025B Subordinate Bonds are subordinate limited tax supported obligations of the Issuer payable solely from and to the extent of the Subordinate Bonds Pledged Revenues pursuant to the 2025B Subordinate Indenture and as described herein. The security for the payment of the 2025B Subordinate Bonds is generally dependent upon the generation of property tax and specific ownership tax revenues derived from the District's imposition of the District No. 2 Subordinate Required Mill Levy Revenue under the 2025B Subordinate Indenture. Payment of the principal of and interest on the 2025B 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 Bonds Pledged Revenue may or may not be sufficient to pay the principal of and interest on the 2025B Subordinate Bonds. No representation is made by the Issuer, District No. 2 or the Underwriter that the Subordinate Pledged Revenue will be sufficient to pay the principal of and interest on the 2025B Subordinate Bonds. The 2025B Subordinate Bonds are not secured by the 2025A Senior Bond Insurance Policy.

Subordinate Bonds Pledged Revenues. The Subordinate Bonds Pledged Revenues is generally defined in the 2025B Subordinate Indenture to mean the moneys derived by the Issuer from the following sources, net of any costs of collection: (a) the District No. 2 Subordinate Required Mill Levy Revenue; (b) Subordinate Specific Ownership Taxes; and (c) any other legally available amounts that the Issuer may designate to be paid to the Trustee for deposit into the Subordinate Bonds Fund or otherwise held under the 2025B Subordinate Indenture.

District No. 2 Subordinate Required Mill Levy Revenue. Pursuant to the 2025B Subordinate Indenture, the District No. 2 Subordinate Required Mill Levy Revenue means revenues generated from the imposition by District No. 2 of the District No. 2 Subordinate Required Mill Levy, net of collection costs; provided, however, that the District No. 2 Subordinate Required Mill Levy Revenue does not include Subordinate Specific Ownership Taxes.

District No. 2 Subordinate Required Mill Levy. Pursuant to the 2025B Subordinate Indenture, the District No. 2 Subordinate Required Mill Levy is defined as an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed by District No. 2 pursuant to the District No. 2 Pledge Agreement upon all taxable property within its boundaries each year in the following amount:

- (a) subject to adjustment as provided in paragraph (b) below (i) 50 mills, less the amount of the District No. 2 Senior Required Mill Levy, or (ii) such lesser mill levy which, when combined with other Subordinate Bonds Pledged Revenue legally available in the Subordinate Bonds Fund, will permit the Subordinate Bonds Fund to be fully funded for the next Bond Year and pay all of the principal and interest on the Subordinate Bonds in full;
- (b) provided, however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2013, the levy cap of 50 mills will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Issuer 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
- (c) provided, further, however, notwithstanding anything in the 2025B Subordinate Indenture to the contrary, in no event may the District No. 2 Subordinate Required Mill Levy be established at a mill levy amount which would cause District No. 2 to derive tax revenue in any year in excess of the maximum tax increases permitted by its electoral authorization, and if the District No. 2 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 District No. 2's electoral authorization, the District No. 2 Subordinate Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Specific Ownership Taxes. Subordinate Specific Ownership Taxes are defined in the 2025B Subordinate Indenture to mean the specific ownership taxes remitted pursuant to Section 42-3-1107, C.R.S., or any successor statute, as a result of imposition by District No. 2 of the District No. 2 Subordinate Required Mill Levy, net of any costs of collection.

<u>Subordinate Position in Relation to the 2025A Senior Bonds and any Parity Senior Bonds</u>. The payment of debt service on the 2025B Subordinate Bonds is subordinate to the payment of debt service on the 2025A Senior Bonds and any Parity Senior Bonds.

No Regularly Scheduled Payments on the 2025B Subordinate Bonds. In addition to being subordinate obligations, the 2025B Subordinate Bonds are structured as "cash flow" bonds, generally meaning that (a) there are no scheduled principal payments other than at maturity, and principal on the 2025B Subordinate Bonds is payable on each December 15 from, and only to the extent of, Subordinate Bonds Pledged Revenues available therefor, if any, in accordance with the terms of the 2025B Subordinate Indenture, pursuant to a special mandatory redemption more particularly described in "THE 2025B SUBORDINATE BONDS – Prior Redemption – Special Mandatory Redemption" and "Funds and Accounts – Subordinate Bonds Fund" and "SECURITY FOR THE 2025B SUBORDINATE BONDS – Flow of Funds" and (b) interest on the 2025B Subordinate Bonds is payable on each December 15, but only from and to the extent of, Subordinate Bonds Pledged Revenues available therefor. Unpaid interest will accrue and

compound annually on each 2025B Interest Payment Date at the rate then borne by the 2025B Subordinate Bonds until sufficient Subordinate Bonds Pledged Revenue is available for payment.

The failure to pay interest each December 15 is not, of itself, a 2025B Event of Default under the 2025B Subordinate Indenture. The failure to pay principal on any special mandatory redemption date or upon the maturity date also is not, of itself, a 2025B Event of Default under the 2025B Subordinate Indenture. See "SECURITY FOR THE 2025B SUBORDINATE BONDS – 2025B Events of Default and Remedies." If, however, Subordinate Bonds Pledged Revenues is available on a special mandatory redemption date, then all such revenue must be applied first to pay interest due on the 2025B Subordinate Bonds and then to pay all or a portion of the principal amount of the 2025B Subordinate Bonds, and such 2025B Subordinate Bonds will be subject to mandatory redemption on that date in advance of their maturity date.

2025B Discharge Date. The 2025B Subordinate Indenture provides that notwithstanding any other provision in the 2025B Subordinate Indenture, in the event that any amount of principal of or interest on the 2025B Subordinate Bonds remains unpaid after the application of all District No. 2 Subordinate Pledged Revenues available therefor on the 2025B Discharge Date, the 2025B Subordinate Bonds and the lien of the 2025B Subordinate Indenture securing payment thereof shall be deemed discharged, the estate and rights thereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel and discharge the lien of the 2025B 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 Owners will have no recourse to the Issuer or District No. 2 or any property of the Issuer of District No. 2 for the payment of any amount of principal of or interest on the 2025B Subordinate Bonds remaining unpaid.

The 2025B Subordinate Bonds are solely obligations of the Issuer, although the District is obligated with regard to the 2025A Senior Bonds to the extent set forth in the Pledge Agreement. The 2025B Subordinate Bonds are not obligations of the County, the State or the Sterling Ranch Districts.

# **Purpose**

The Bonds are being issued for the purpose of: (i) refunding and defeasing the Issuer's Limited Tax Supported District No. 2 Refunding and Improvement Senior Bonds, Series 2020A, currently outstanding in the aggregate principal amount \$[34,635,000] (the "2020A Bonds") on December 1, 2025; (ii) refunding and defeasing the Issuer's Limited Tax Supported District No. 2 Subordinate Bonds, Series 2020B, currently outstanding in the aggregate principal amount of \$[4,248,000] (the "2020B Bonds," and together with the 2020A Bonds, the "2020 Bonds") on December 15, 2025; (ii) financing and refinancing certain public improvements and in connection therewith paying amounts due and owing under certain agreements; (iii) paying the premium for the Reserve Policy for the 2025A Senior Bonds; (iv) paying the premium for the Policy for the 2025A Senior Bonds; and (v) paying other costs incurred in connection with the issuance of the Bonds. See "USES OF PROCEEDS."

# The Bonds; Prior Redemption

2025A Senior Bonds. The 2025A Senior Bonds are issued solely as fully registered bonds in the principal amount of \$5,000 and any integral multiple thereof. See "THE 2025A SENIOR BONDS – Authorized Denominations." The 2025B Subordinate Bonds are issued solely as fully registered bonds in the amount of \$500,000 or any integral multiple of \$1,000 in excess thereof. See "THE 2025B SUBORDINATE BONDS – Authorized Denominations."

The Bonds mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the inside cover page hereof. The payment of principal and interest on the 2025A Senior Bonds is described in "THE 2025A SENIOR BONDS – Payment of Principal and Interest; Record Date" and the payment of principal and interest on the 2025B Subordinate Bonds is described in "THE 2025B SUBORDINATE BONDS – Payment of Principal and Interest; Record Date."

The 2025A Senior Bonds are subject to redemption prior to maturity at the option of the Issuer and are subject to mandatory sinking fund redemption as described in "THE 2025A SENIOR BONDS – Prior Redemption." The 2025B Subordinate Bonds are subject to redemption prior to maturity at the option of the Issuer and are subject to special mandatory redemption as described in "THE 2025B SUBORDINATE BONDS – Prior Redemption."

# **Authority for Issuance**

The Bonds are issued in full conformity with the constitution and laws of the State, particularly the Special District Act and the Supplemental Public Securities Act (Title 11, Article 57, Part 2, C.R.S.), and pursuant to the Bond Resolution, the 2013 Election, and the Indentures.

# **Book-Entry Registration**

The Bonds will initially be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), the securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See "THE 2025A SENIOR BONDS – Book-Entry Only System," "THE 2025B SUBORDINATE BONDS – Book-Entry Only System" and Appendix B – Book-Entry Only System."

#### **Tax Status**

In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming the accuracy of certain certifications and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof under federal income tax laws, pursuant to existing statutes, regulations, rulings and court decisions, and further, interest on the Bonds is not a tax preference item for purposes of the alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that under the laws of the State of Colorado in effect on the date of issuance of the Bonds, that interest on the Bonds is excludable from taxable income for purposes of the State of Colorado income tax and State of Colorado alternative minimum tax. For a more complete description of such opinions of Bond Counsel, see "TAX MATTERS" herein and the forms of Bond Counsel opinions attached hereto as Appendix E.

#### **Professionals**

Greenberg Traurig, LLP, Denver, Colorado, is acting as Bond Counsel. Taft Stettinius & Hollister LLP, Denver, Colorado, has acted as Underwriter's counsel. Certain legal matters pertaining to the organization and operation of the Issuer and the District will be passed upon by their general counsel, Greenberg Traurig, LLP, Denver, Colorado. BOKF, NA, Denver, Colorado, will act as the trustee, paying agent and registrar for the Bonds. Stifel, Nicolaus & Company, Incorporated, Denver, Colorado, is serving as the Municipal Advisor to the Issuer in connection with the issuance of the Bonds. Piper Sandler & Co., Denver, Colorado, will act as the underwriter for the Bonds (the "Underwriter"). See "UNDERWRITING."

# **Continuing Disclosure Undertakings**

Continuing Disclosure Agreement. Pursuant to Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, Section 240.15c2-12) (the "Rule"), the Issuer has agreed, pursuant to the provisions of a 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 an annual basis for dissemination to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access. The Issuer has also agreed to provide notice of certain material events. The form of the Continuing Disclosure Agreement is attached hereto as Appendix D.

Past Compliance. The Issuer has entered into seven prior continuing disclosure undertakings in connection with past or existing indebtedness. During the past five years, the Issuer timely filed the 2021 audits for the Issuer and District No. 2; however, the Issuer failed to index such audits against the CUSIPs for the 2020 Bonds. The Issuer made a remedial filing to index such 2021 audits against the CUSIPs for the 2020 Bonds on October 18, 2022 and October 22, 2024, respectively. The Issuer timely filed the third quarter report for fiscal year 2022 for the 2020 Bonds but failed to include the table for assessed valuation and property tax collections and such missing information was filed 2 days late. The Issuer filed its third quarter report for fiscal year 2021 for the 2020 Bonds 14 days late. Such report was missing the assessed valuation and property tax collections table, which was was added on October 22, 2024. The Issuer timely filed the third quarter report for fiscal year 2020 for the 2020 Bonds but failed to include the table for assessed valuation and property tax collections; the missing information was filed on October 14, 2022, which was over a year late. The Issuer filed the December 31, 2024 quarterly report for the 2022[A] Bonds on April 7, 2025, which was 41 days late; the December 31, 2024 quarterly report for the 4A 2024A Bonds and 4A 2024B Bonds on February 27, 2025, which was 2 days late; and the June 30, 2024 quarterly report on October 18, 2024, which was 54 days late [FTF not filed]. [2024 and 2023 O3 quarterly reports – different titles for tables]. The Issuer now has procedure in place to ensure timely filing of all future annual reports. [to update]

# **Delivery Information**

The Bonds are offered when, as, and if issued by the Issuer 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 E), and certain other matters. It is expected that the Bonds

will be available for delivery through the facilities of DTC on or about October 9, 2025.\*

#### **Additional Information**

All references herein to the Bond Resolution, the Indentures, 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:

Sterling Ranch Community Authority Board 9350 Roxborough Park Road Sterling Ranch, CO 80125

Telephone: (720) 630-0414

Piper Sandler & Co. 1144 15th Street, Suite 2050 Denver, Colorado 80202 Telephone: (303) 405-0846

#### FORWARD-LOOKING STATEMENTS

This Official Statement, including but not limited to the Financial Forecast attached as Appendix A, the information in "RISK FACTORS," contains statements relating to future results that are "forward-looking statements." When used in this Official Statement, the words "estimate," "intend," "expect," "anticipate," "plan," and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statement will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. For a discussion of certain of such risks, see the following section, "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 Issuer to meet the debt service requirements of the Bonds is subject to various risks and uncertainties which are discussed throughout this Official Statement. Certain of such investment considerations are set forth below. This section of this Official Statement does not purport to summarize all of the risks. Investors should read this Official Statement in its entirety.

Although the revenues pledged to the 2025A Senior Bonds and 2025B Subordinate Bonds are derived from the same revenue sources, the 2025B Subordinate Bonds are subordinate to the 2025A Senior Bonds and any Parity Senior Bonds, no regularly scheduled principal payments are due on the 2025B Subordinate Bonds other than at maturity, the 2025A Senior Bond Insurance Policy doesn't secure the 2025B Subordinate Bonds, and, therefore, the risk of non-payment of principal and interest on the 2025B Subordinate Bonds is substantially higher than the risk of non-payment of principal and interest on the 2025A Senior Bonds.

<sup>\*</sup> Preliminary; subject to change.

The 2025B Subordinate 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 2025B Subordinate Bonds, each purchaser represents that: (i) 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 2025B Subordinate Bonds; and (ii) it is acquiring the 2025B Subordinate Bonds for its own account or for the account of a financial institution or an institutional investor, and not with a view to the further distribution thereof.

# **Limited Security for the 2025A Senior Bonds**

General. The 2025A Senior Bonds constitute limited tax supported obligations of the Issuer as provided in the 2025A Senior Indenture. All of the 2025A 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 Bonds Pledged Revenues, including all moneys and earnings thereon held in the funds and accounts created in the 2025A Senior Indenture, and the Senior Bonds Pledged Revenue is pledged to the payment of the 2025A Senior Bonds. The 2025A Senior Bonds are not obligations of the County or the State. Payment of the principal of and interest on the 2025A Senior Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the District.

The 2025A Senior Bonds are additionally secured by the Senior Bonds Reserve Fund in the amount of the Senior Bonds Reserve Requirement (\$[Required Reserve]\*), which will be satisfied by the issuance of the 2025A Reserve Policy.

The Senior Bonds Pledged Revenue may or may not be sufficient to pay the principal of and interest on the 2025A Senior Bonds. No representation is made by the Issuer, the District, or the Underwriter that the Senior Bonds Pledged Revenue will be sufficient to pay the principal of and interest on the 2025A Senior Bonds.

Limited Tax Pledge. The District No. 2 Senior Required Mill Levy is limited to a maximum of 50 mills, subject to adjustment as described herein. To the extent principal of any 2025A Senior Bond is not paid when due in accordance with the 2025A Senior Indenture, including, without limitation at the stated Maturity thereof, such principal shall remain outstanding until paid. To the extent interest on any 2025A Senior Bond is not paid on any Interest Payment Date such interest shall compound semiannually on each Interest Payment Date and continue to accrue at the rate then borne by such 2025A Senior Bond. Notwithstanding anything in the 2025A Senior Indenture to the contrary, the Issuer shall not be obligated to pay more than the amount permitted by law and the electoral authorization (including the 2013 Election) in repayment of the 2025A Senior Bonds, including all payments of principal, premium, if any, and interest. *During this period of accrual, the Issuer will not be in default on the payment of such principal and interest, and the 2025A Owners will have no recourse against the Issuer or the District to require any payments (other than to require the District to continue to impose the District No. 2 Senior* 

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<sup>\*</sup> Preliminary; subject to change.

Required Mill Levy, enforce and collect the tax revenue derived therefrom, and transfer such revenue to the Trustee at the times and in the manner provided in the 2025A Senior Indenture).

Notwithstanding the foregoing, in the event the Issuer defaults on scheduled principal or interest payments on the 2025A Senior Bonds when the due, the 2025A Owners will have a claim under the 2025A Senior Bond Insurance Policy for such defaulted payments. See "2025A SENIOR BOND INSURANCE POLICY" and "– Risks Related to 2025A Senior Bond Insurance" below.

# **Limited Security for the 2025B Subordinate Bonds**

General. The 2025B Subordinate Bonds are subordinate limited tax supported obligations of the Issuer payable solely from and to the extent of the Subordinate Bonds Pledged Revenue as described herein. The security for the payment of the 2025B Subordinate Bonds is generally dependent upon the generation of property tax and specific ownership tax revenues derived from the District's imposition of the District No. 2 Subordinate Required Mill Levy under the 2025B Subordinate Indenture. The 2025B Subordinate Bonds are not obligations of the County or the State. Payment of the principal of and interest on the 2025B 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 Bonds Pledged Revenue may or may not be sufficient to pay the principal of and interest on the 2025B Subordinate Bonds. No representation is made by the Issuer, the District, or the Underwriter that the Subordinate Bonds Pledged Revenue will be sufficient to pay the principal of and interest on the 2025B Subordinate Bonds.

Limited Tax Pledge. The District No. 2 Subordinate Required Mill Levy is limited to a maximum of 50 mills, less the amount of the District No. 2 Senior Required Mill Levy (subject to adjustment as described herein), or such lesser mill levy which, when combined with other Subordinate Bonds Pledged Revenue legally available in the Subordinate Bonds Fund, will permit the Subordinate Bonds Fund to be fully funded for the next Bond Year and pay all of the principal and interest on the Subordinate Bonds in full. To the extent principal of any 2025B Subordinate Bond is not paid when due in accordance with the 2025B Subordinate Indenture, including, without limitation at the stated Maturity thereof, such principal shall remain outstanding until the earlier of the (i) date it is paid and no longer Outstanding, and (ii) 2025B Discharge Date. To the extent interest on any 2025B Subordinate Bond is not paid on any Interest Payment Date such interest shall compound annually on each December 15 at the rate then borne by such 2025B Subordinate Bond. Notwithstanding anything in the 2025B Subordinate Indenture to the contrary, the Issuer shall not be obligated to pay more than the amount permitted by law and the electoral authorization (including the 2013 Election) in repayment of the 2025B Subordinate Bonds, including all payments of principal, premium, if any, and interest. During this period of accrual, the Issuer will not be in default on the payment of such principal and interest, and the 2025B Owners will have no recourse against the Issuer or the District to require any payments (other than to require the District to continue to impose the District No. 2 Subordinate Required Mill Levy, enforce and collect the tax revenue derived therefrom, and transfer such revenue to the *Trustee at the times and in the manner provided in the 2025B Subordinate Indenture).* 

# Subordinate Lien Status of the Subordinate Bonds Pledge Revenue

Under the 2025B Subordinate Indenture, the District No. 2 Subordinate Required Mill Levy is defined, generally, as an ad valorem mill levy equal to 50 mills, less the amount of the District No. 2 Senior Required Mill Levy (subject to adjustment as described in the 2025B Subordinate Indenture). Accordingly, initially there will be no Subordinate Bonds Pledged Revenues available for payment of the 2025B Subordinate Bonds. The Financial Forecast attached hereto as Appendix A projects that no Subordinate Bonds Pledged Revenues will be available for payment of [any interest] on the 2025B Subordinate Bonds until 20[\_\_]\* and that no Subordinate Bonds Pledged Revenues will be available for payment of [any principal] on the 2025B Subordinate Bonds until 20[\_\_].\* The Financial Forecast presents forecasted information relating to District No. 2's imposition of the District No. 2 Subordinate Required Mill Levy and principal and interest payments on the 2025B Subordinate Bonds. No assurance is given that the 2025B Subordinate Bonds will be paid as set forth in the Financial Forecast, or ever. See "FORWARD-LOOKING STATEMENTS," "Risks Related to the Financial Forecast" below, and Appendix A.

# No Regularly Scheduled Payments on the 2025B Subordinate Bonds

In addition to being subordinate obligations, the 2025B Subordinate Bonds are structured as "cash flow" bonds, meaning that (a) there are not regularly scheduled payments of principal prior to maturity and principal on the 2025B Subordinate Bonds is payable on December 15 from, and only to the extent of, Subordinate Bonds Pledged Revenue available therefor, if any, in accordance with the terms of the 2025B Subordinate Indenture, pursuant to a special mandatory redemption more particularly described in "THE 2025B SUBORDINATE BONDS - Prior Redemption - Special Mandatory Redemption" and "Funds and Accounts - Subordinate Bonds Fund" and "SECURITY FOR THE 2025B SUBORDINATE BONDS – Flow of Funds" and (b) interest on the 2025B Subordinate Bonds is payable on each December 15, but only from and to the extent of, Subordinate Bonds Pledged Revenue available therefor. Unpaid interest will accrue and compound annually on each 2025B Interest Payment Date at the rate then borne by the 2025B Subordinate Bonds until sufficient Subordinate Bonds Pledged Revenue is available for payment. The failure to pay interest each December 15 is not, of itself, a 2025B Event of Default under the 2025B Subordinate Indenture. The failure to pay principal on any special mandatory redemption date or upon the maturity date also is not, of itself, a 2025B Event of Default under the 2025B Subordinate Indenture. See "SECURITY FOR THE 2025B SUBORDINATE BONDS – 2025B Events of Default and Remedies." If, however, Subordinate Bonds Pledged Revenue is available on a special mandatory redemption date, then all such revenue must be applied first to pay interest due on the 2025B Subordinate Bonds and then to pay all or a portion of the principal amount of the 2025B Subordinate Bonds, and such 2025B Subordinate Bonds will be subject to mandatory redemption on that date in advance of their maturity date. No representation is made by the Issuer, the District, or the Underwriter that the Subordinate Bonds Pledged Revenue will be sufficient to pay the principal of and interest on the 2025B Subordinate Bonds. See "SECURITY FOR THE 2025B SUBORDINATE BONDS" and "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT."

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<sup>\*</sup> Preliminary; subject to change.

# **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 property tax revenues generated by the District's imposition of the District No. 2 Senior Required Mill Levy and District No. 2 Subordinate Required Mill Levy depends in part upon the assessed valuation of the property within the District and the County's ability to collect property taxes. This section describes certain risks related to such property tax revenues.

Property Valuation Statutes and Appeals. Under certain circumstances, Colorado statutes permit the owners of vacant property to apply to the Douglas County Assessor (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 a property owner will not seek to do so.

Potential for Tax-Exempt Uses. Property used for tax-exempt purposes may not be subject to taxation by the District, and property owners are not prohibited from selling property to tax-exempt purchasers. It is possible that property in the District could qualify for tax-exempt status using tax credits or on some other basis. The 12.512 acre site owned by Douglas County School District RE-1 is presently being developed into an elementary school and is tax exempt.

Condemnation. It is also possible that some or all of the property in the District could be condemned for public use, in which case it may no longer be subject to taxation.

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 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 would impair the Issuer's ability to pay principal and interest on the 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 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 and may take several years of continuous delinquencies. Moreover, any

such tax sale would be only for the amount of taxes due and unpaid for the particular tax year in question.

In addition, the County'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 Issuer's ability to pay principal and interest on the Bonds could be materially adversely affected.

State Laws Regarding Property Taxes. The mill levies imposed by the District are governed by State laws. From time to time, these State laws are revised by the Colorado General Assembly. The Service Plan and the definition of District No. 2 Senior Required Mill Levy and District No. 2 Subordinate Required Mill Levy include certain adjustment language which is intended to require the District to increase such mill levy if necessary to offset the loss of tax revenue which occurs due to certain changes in law. It is possible, however, that this language will not account for every conceivable change of law which could occur.

For example, SB 24-233 and HB 24B-1001 (each as defined herein) reduce property taxes through reductions in assessed value and actual value of certain subclasses of residential and non-residential property. See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes." Further, the District is required to impose a uniform mill levy. Reducing the assessed and actual value of real property based on subclass is novel, and the District's attempt to increase its District No. 2 Senior Required Mill Levy and District No. 2 Subordinate Required Mill Levy to reflect such reductions will be significantly more complex and may ultimately require judicial interpretation.

The Financial Forecast assumes that the District will adjust its District No. 2 Senior Required Mill Levy and District No. 2 Subordinate Required Mill Levy, to reflect all changes to both assessed valuation and actual valuation. However, no assurance is provided that the District will be permitted to increase its District No. 2 Senior Required Mill Levy and District No. 2 Subordinate Required Mill Levy, to account for all adjustments resulting from SB 24-233, HB 24B-1001, or other changes to State law. See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes."

#### Risks Related to the Financial Forecast

The Issuer has retained the accounting firm of CliftonLarsonAllen LLP, Greenwood Village, Colorado ("Clifton"), to prepare a "Forecasted Surplus Cash Balances and Cash Receipts and Disbursement" report dated [\_\_\_\_\_] (the "Financial Forecast"). In the Financial Forecast, Clifton has assumed that property within the District will appreciate 2% annually to forecast the assessed valuation of the District and the timing and amounts of projected payments of debt service on the Bonds.

[to describe alternative projections]

The Financial Forecast is based on key assumptions made by 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. See "FORWARD-LOOKING STATEMENTS."

# **Continuation of Service by Dominion**

Wholesale water and wastewater services for the Development are provided by Dominion Water & Sanitation District ("Dominion"), a wholesale water and wastewater special district, in combination with the Issuer, as a retail provider for Dominion, as more fully described in "THE ISSUER – Issuer Agreements – Agreements with Dominion." Dominion is ultimately expected to be the wholesale water and wastewater provider for the entirety of Sterling Ranch, and to provide wholesale water and wastewater to the Issuer for further distribution throughout Sterling Ranch. Dominion's primary sources of revenue come from the imposition of water resource, water infrastructure and sewer tap fees and monthly service fees charged to its retail providers (such as the Issuer). In addition, Dominion has issued bonds and notes to fund certain of its capital needs. Dominion has entered into capital and operational funding agreements with Sterling Ranch, LLC, a Delaware limited liability company ("Sterling Ranch LLC") to fund shortfalls in its ongoing capital and operations funding needs. There is no assurance that Sterling Ranch LLC will fully comply with their respective obligations under the funding agreements and bondholders will have no direct rights against Dominion or Sterling Ranch LLC if they fail to perform their obligations under the funding agreements.

In addition, Dominion, as is customary of most water and wastewater providers, has several infrastructure and ongoing maintenance and operations practices that are subject to several regulatory agencies such as the Colorado Department of Health and Environment ("CDPHE"), the Army Corps of Engineers ("Army Corps"), Douglas County, and the Environmental Protection Agency ("EPA") (this is not an inclusive list, but a representative list of regulatory agencies). These agencies are prone to updating and changing regulations routinely which may add to the overall cost of service of Dominion to the Issuer which could materialize in the form of higher water resource, water infrastructure and sewer tap fees as well as monthly service fees charged to the issuer. One such example is the recent regulations surrounding Perfluorooctane Sulfonate Substances ("PFAS") and Perfluorooctanoic Acid ("PFOA") which could materially increase the cost of providing water treatment and wastewater treatment services to the Issuer.

Dominion has secured sufficient water rights to serve all planned vertical development within the Development and such water rights meet the demands of the Water Appeal (defined herein). "THE ISSUER - Issuer Agreements – Agreements with Dominion." Nevertheless, Dominion's water supply primarily utilizes contractual water agreements with multiple municipalities and water districts that contain certain conditions precedent and ongoing

financial obligations of Dominion that, if not met, can result in the reduction or discontinuance of water deliveries. In addition, Dominion has ongoing capital expenditures that it anticipates for the continuation of providing wholesale water and wastewater services that are material costs. Dominion has incorporated its financial obligations and capital expenditures into the determination of its rates and fees which are paid by the Issuer and other retail users within and outside the Development as services are provided by Dominion to such retail providers and ultimately to completed homes within such retail providers' service areas. However, the continued payment of such rates and fees as well as the construction of capital expenditures are dependent upon, among other things, the remaining build-out of the Development and Sterling Ranch as a whole, which is not guaranteed to occur. Should development within the balance of Sterling Ranch not progress as planned, and/or the Developer stop funding any expected shortfalls, water and sewer rates within the Development could be forced to increase (perhaps materially), which may lead to higher rates of non-payment and an increased risk of Dominion failing to meet its financial obligations related to its ongoing water supply.

Wastewater treatment services for the Development are presently provided by the City of Littleton ("Littleton") pursuant a Start-Up and Emergency Back-Up Wastewater Treatment Intergovernmental Agreement dated August 8, 2015 (the "Littleton IGA"), between Littleton and Dominion. Pursuant to the Littleton IGA, Littleton has agreed to accept wastewater from Dominion for treatment and to treat and cause disposal of the same at the Littleton/Englewood Wastewater Treatment Plan (now named South Platte Renew), subject to applicable charges. Dominion has also entered into an Intergovernmental Agreement dated October 1, 2020 (described more fully in the following paragraph), with Roxborough, pursuant to which, among other matters, Roxborough leases to Dominion until December 31, 2028, capacity in the Roxborough Wastewater Conveyance System, subject to Dominion's payment of applicable annual capital asset lease payments and monthly operations fees based on the number of Dominion's equivalent residential units ("EQRs"). Such arrangements will provide the wastewater treatment services required by the Development until such time as Dominion is able to refurbish or replace Dominion's Chatfield Basin Water Reclamation Facility ("CBWRF") (which was previously owned by Roxborough and purchased by Dominion) to allow Dominion to provide wastewater treatment services on its own. Dominion is in the first phase of design for the CBWRF with funds to be provided through an intergovernmental agreement approved in August 2024 with Douglas County from their American Rescue Plan Act funds with plans to begin construction of the CBWRF in 2025 and put the plant into service in 2027.

The "Intergovernmental Agreement for Temporary Lease of and Acquisition of Capacity in the Roxborough Wastewater Conveyance System between Roxborough Water and Sanitation District and Dominion Water and Sanitation District," dated October 1, 2020 (the "Roxborough IGA"), provides for up to 4,000 EQRs or 0.6 MGD to Littleton for treatment through 2028, which allows Dominion to delay the refurbishment and operations of the CBWRF. Pursuant to a letter from Roxborough dated October 8, 2024, Roxborough has indicated over 4,000 units are platted; however, the Roxborough IGA provides for up to 4,000 EQRs determined by Certificates of Occupancy. As of the Dated Date, approximately 3,137 Certificates of Occupancy have been issued within Sterling Ranch and measured flow is at 0.22 MGD, well below expected levels. Dominion has indicated that: 1) completion of the CBWRF is expected by December 31, 2027; and 2) that an amendment to the Roxborough IGA may be sought to align measured flows with total EQR's.

Under Dominion's Littleton IGA, there is no limit on the number of EQRs that can be conveyed to Littleton for wastewater treatment; however, Littleton may terminate the agreement with 365 days advance notice. If such notice were given by Littleton, Dominion may not have the time needed to accelerate and complete the refurbishment and operations and/or construction of a new facility at the CBWRF.

Additionally, Dominion has constructed certain permanent water and wastewater infrastructure throughout parts of Sterling Ranch to serve the needs of both the Development and the additional contemplated development within Sterling Ranch. The cost of such infrastructure is ultimately expected to be borne relatively equally by all homeowners residing within Sterling Ranch. However, unless and until additional development within Sterling Ranch occurs, the cost of such infrastructure is being borne by water resource, water infrastructure, sewer tap and other fees (the majority of which fees represent the fees charged by Dominion), and rates and charges imposed by the Issuer, as the retail provider for Dominion, on existing homes within Sterling Ranch (nearly all of which are currently located within the Development), and, to the extent of any shortfalls, by the Developer. Should those parties elect to not continue to fund such shortfalls and/or additional development within Sterling Ranch slows, the Issuer would be required to increase water and sewer rates within the Development, which may make homes within the Development less attractive than surrounding development and ultimately reduce their market value.

# Fire Risks, Climate Change and Other Potential Disasters

In recent years, the State has experienced numerous significant wildfires. According to the National Interagency Fire Center, in 2024 more than 45,398 acres were burned by wildfires throughout the State. According to the Colorado Department of Public Safety, the three largest fires (measured by acreage) in State history occurred in 2020. Recent destructive fires include the Black Forest Fire in El Paso County in 2013, in which approximately 14,000 acres were burned and nearly 500 homes were destroyed. On December 30, 2021, the Marshall Fire burned approximately 6,000 acres and destroyed over 1,000 homes and businesses, making it the most destructive fire in State history.

The fires have been attributed to, among other things, severe weather conditions such as drought, high winds and rising temperatures. Experts believe that the State will continue to be subject to wildfire conditions in the future as a result of changing weather patterns due to climate change. Climate change may cause additional extreme weather events such as drought, floods and heat waves, which may impact the assessed value of property within the District and/or the development of the property in the District.

[Taft to update]	According to the Colorado State Forest Service's Wildfire Risk
Public Viewer website on	, 2025, the property within the District is classified from the

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<sup>&</sup>lt;sup>1</sup> See https://co-pub.coloradoforestatlas.org/. References to website addresses presented herein are for informational purposes only. Such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

"\_\_\_\_" to "\_\_\_\_" burn probability categories, depending on its location. No assurances can be given as to whether any future wildfire will impact any portion of the District.

In the event a fire or other natural or man-made disaster destroys all or any portion of the District, the Senior Bonds Pledged Revenues and the Subordinate Bonds Pledged Revenues could be materially negatively impacted. There can be no assurance that a casualty loss will be covered by any insurance of property owners, that any insurance company will fulfill its obligation to provide insurance proceeds, or that any insurance proceeds will be sufficient to rebuild any damaged property. There is no assurance that property owners will rebuild damaged or destroyed properties or, if they do, the timeframe in which they will rebuild.

#### Wildfire

[review/confirm] Sterling Ranch and the Development are located within a wildfire interface area, and a wildfire occurred in [2020] burning approximately 400 acres of open space within an 8-mile radius of the Development. Wildfires have also recently occurred in [2025] within the general proximity of Sterling Ranch but not within the boundaries of Sterling Ranch. While the South Metro Fire District serves the Development and the surrounding area with fire-fighting capabilities and the Issuer and the Developer have taken certain measures to mitigate potential wildfire and reduce its impact, wildfires present a potential threat to the region. Should any portion of the Development be destroyed by a wildfire, the property taxes derived from such destroyed property could be reduced or even eliminated. See " – Risks Related to Property Tax Revenues."

#### Risks Related to 2025A Senior Bond Insurance

In the event the District defaults on the payment of scheduled principal or interest on the 2025A Senior Bonds when due, the 2025A Owners will have a claim under the 2025A Senior Bond Insurance Policy for such defaulted payments.

In the event the 2025A Insurer is unable to make payment of principal and interest as such payments become due under the 2025A Senior Bond Insurance Policy, the 2025A Senior Bonds are payable solely from the funds on deposit in the Senior Bond Fund, the Senior Reserve Fund, if any, and the Senior Surplus Fund, if any, as provided in the 2025A Senior Indenture. In the event the 2025A Insurer becomes obligated to make payments with respect to the 2025A Senior Bonds, no assurance is given that such event will not adversely affect the market price of the 2025A Senior Bonds or the marketability (liquidity) of the 2025A Senior Bonds.

The long-term rating on the 2025A Senior Bonds is dependent in part on the financial strength of the 2025A Insurer and its ability to pay claims. The 2025A Insurer's financial strength and ability to pay claims is reliant upon a number of factors which could change over time, including, without limitation, underwriting standards, claims experience, and conditions affecting the economy generally. No assurance is given that the long-term ratings of the 2025A Insurer will not be subject to downgrade or CreditWatch negative designations and such events could adversely affect the market price or liquidity of the 2025A Senior Bonds. See "RATING[S]" herein.

The obligations of the 2025A Insurer are unsecured contractual obligations and in

an event of default by the 2025A Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter has made independent investigation into the 2025A Insurer's financial strength or ability to pay claims and no assurance or representation regarding the financial strength or projected financial strength of the 2025A Insurer is given. Prospective investors in the 2025A Senior Bonds should conduct their own investigation of such matters. Because the 2025A Senior Bonds are insured by the 2025A Insurer, certain of the risk factors described herein should not, under ordinary circumstances, adversely affect payment of the 2025A Senior Bonds. The principal risk that could affect payment of the 2025A Senior Bonds is the inability or refusal of the 2025A Insurer to perform its duties under the 2025A Senior Bond Insurance Policy. In such an event, the Trustee would exercise its available remedies against the 2025A Insurer and exercise its rights under the 2025A Senior Indenture on behalf of the 2025A Owners.

#### Risk of Internal Revenue Service Audit

The Internal Revenue Service (the "Service") has a program of auditing tax-exempt bonds which can include those issued by special purpose governmental units, such as the Issuer, 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 Issuer 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 adversely impact the secondary market, if any, for the Bonds, and, if a secondary market exists, would also be expected to adversely impact the price at which the Bonds can be sold. The Indenture does not provide for any adjustment to the interest rates borne by the Bonds in the event of a change in the tax-exempt status of the Bonds. If the Service audits the Bonds, under current audit procedures the Service will treat the Issuer 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 Issuer will have revenues available to contest an adverse determination by the Service. No transaction participant, including none of the Issuer, the Underwriter, Underwriter's Counsel, or Bond Counsel is obligated to pay or reimburse an 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 Issuer 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 issuance of the Bonds and the application of the proceeds therefrom, as well as other activities of the Issuer and the District may involve potential 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 at least 72 hours in advance of any meeting in which such conflict may arise, and such director is necessary to establish a quorum. However, compliance with such statute does not provide absolute certainty that contracts between the Issuer or the District and persons related to its Directors will not be subject to defenses or challenge on the basis of alleged conflicts. It is expected that the interested members of the Issuer Board and the District 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 Issuer and District No. 2 Operations**

The Issuer and District No. 2 are formed pursuant to statute and exercise 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 Issuer and District No. 2. 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 Issuer and District No. 2. See "LEGAL MATTERS – Certain Constitutional Limitations."

# Limitations on Remedies Available to Owners of the Bonds

No Acceleration. Under the Indentures, there are no provisions 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 the 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 Issuer 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 Bonds Pledged Revenues and the Subordinate Bonds Pledged Revenues which is superior to the lien of the 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<sup>1</sup>. The Indentures only require that the Issuer required District No. 2 to levy limited mill levies (subject to adjustment as described herein) and the Pledge Agreement only requires that the District levy limited mill levies (subject to adjustment as described herein). 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. Bankruptcy protection may be available to the District, however, if each of their mill levies ever equaled or exceeded 100 mills pursuant to their adjustment mechanisms, if the District ever issues unlimited mill levy general obligation bonds in the future, or due to other unforeseen circumstances. The bankruptcy provisions of the Special District Act have not been interpreted by any Colorado appellate courts, however, and it is unclear how a court would apply some of these provisions.

# **Future Changes in Law**

General. 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 provisions, laws, and regulations, which would have a material effect, directly or indirectly, on the affairs of the Issuer, the District, or other property owners. See "LEGAL MATTERS – Certain Constitutional Limitations."

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. Such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Additionally, the Colorado General Assembly has passed several laws in the last three years in an effort to reduce property taxes State-wide. See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes.

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

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<sup>&</sup>lt;sup>1</sup> The right of a special district to seek protection under the federal bankruptcy code in accordance with Section 32-1-1402, C.R.S., is not afforded to the Issuer.

# Restrictions on Purchase of the 2025B Subordinate Bonds; Investor Suitability

The 2025B Subordinate Bonds are being sold to one or more knowledgeable and experienced investors who are not purchasing with a view to distributing the 2025B Subordinate Bonds. All purchasers of the 2025B Subordinate Bonds must be a "financial institution or institutional investor" within the meaning of Section 32-1-103(6.5), C.R.S. Therefore, the 2025B Subordinate Bonds should not be purchased by an investor unless the investor is able to hold such Bonds indefinitely.

# Authorized Denominations; Secondary Market for the Bonds

By their acceptance of the 2025A Senior Bonds, each 2025A Owner acknowledges that the 2025A Senior Bonds may be sold, transferred or otherwise disposed of only in "Authorized Denominations" (referred to herein as "2025A Authorized Denominations") in the principal amount of \$5,000 and any integral multiple thereof, provided that in the event a 2025A Senior Bond is partially redeemed and the unredeemed portion is less than \$5,000, such unredeemed portion of such 2025A Senior Bond may be issued or remain Outstanding in the largest possible denomination of less than \$5,000. By their acceptance of the 2025B Subordinate Bonds, each 2025B Owner acknowledges that the 2025B Subordinate Bonds may be sold, transferred or otherwise disposed of only in "Authorized Denominations" (referred to herein as "2025B Authorized Denominations") of \$500,000 and any integral multiple of \$1,000 in excess thereof, provided that in the event a 2025B Subordinate Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such 2025B Subordinate Bond may be issued or remain Outstanding in the largest possible denomination of less than \$500,000, in integral multiples of \$1,000.

No assurance can be given concerning the future existence of a secondary market for the Bonds, and prospective purchasers of the Bonds should therefore be prepared, if necessary, to hold their Bonds to maturity or prior redemption, if any. No application has been or is intended to be made to any securities rating agency for a rating of the 2025B Subordinate Bonds. See "RATINGS."

In the event that the initial purchasers of the Bonds sell a portion of their Bonds in the secondary market in an amount which leaves such purchasers holding Bonds in an amount less than the 2025A Authorized Denomination or 2025B Authorized Denomination, respectively, there is a risk that such purchasers may experience difficulty in liquidating their remaining holding. In addition, it is possible that DTC or the Trustee would not permit a secondary market sale which results in the seller retaining an ownership interest in a residual amount less than the 2025A Authorized Denomination or 2025B Authorized Denomination, as applicable.

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**

# **Refunding Project**

[to be updated upon receipt of Escrow Agreement] At or prior to issuance of the Bonds, it is anticipated that the Issuer and \_\_\_\_\_\_, Denver, Colorado (the "Escrow Agent") will enter into the Refunding Escrow Agreement (the "Escrow Agreement"). As described in the Escrow Agreement, the net proceeds of the Bonds are anticipated to be used to fully redeem the 2020A Bonds on December 1, 2025 and the 2020B Bonds on December 15, 2025. The purpose of the Escrow Agreement is to provide for the defeasance and redemption of the 2020 Bonds.

[The Escrow Agreement creates and establishes with the Escrow Agent a special fund and irrevocable trust account, designated as the "\_\_\_\_\_\_" (the "Escrow Account"). In accordance with the Escrow Agreement, the Escrow Account is to be funded in the amount required by the special report of a certified public accountant (the "Verification Report"), attached thereto as Exhibit A and made a part thereof, being the total available proceeds of the 2020 Bonds

after payment of the costs and expenses of the refunding procedure, plus any Escrow Supplement (defined in the Escrow Agreement), which amount, when invested by the Escrow Agent, will be at all times at least sufficient to pay the principal of, premium if any, and interest on the Series

# **General Description**

2020 Bonds in accordance with the Escrow Agreement.

The Bonds are being issued for the purpose of: (i) refunding and defeasing the 2020A Bonds on December 1, 2025; (ii) refunding and defeasing the 2020B Bonds on December 15, 2025; (iii) financing and refinancing certain public improvements and in connection therewith paying amounts due and owing under [certain agreements]; (iv) paying the premium for the Reserve Policy for the 2025A Senior Bonds; and (v) paying the premium for the Policy for the 2025A Senior Bonds; and (vi) paying other costs incurred in connection with the issuance of the Bonds. [to be updated to separate 2025A and 2025B purposes]

# **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\*

	2025A	2025B	
	Senior	Subordinate	
Sources:	Bonds	Bonds	Total
Bond proceeds			
[Surplus Fund for the 2020A Bonds]			
TOTAL			
<u>Uses</u> :			
Refund 2020 Bonds			
Deposit to Senior Bonds Reserve Fund			
Costs of issuance, underwriting discount (see			
"UNDERWRITING"), premiums for the Policy			
and the Reserve Policy, and contingency			
TOTAL			

Source: The Underwriter.

<sup>\*</sup> Preliminary; subject to change.

## **THE 2025A SENIOR BONDS**

Although a single Official Statement is being used in connection with the offer and sale of the 2025A Senior Bonds and the 2025B Subordinate Bonds, the 2025A Senior Bonds are secured solely by the 2025A Senior Indenture and the 2025B Subordinate Bonds are secured solely by the 2025B Subordinate Indenture. Further, each series of the Bonds is secured by separately defined pledged revenues. The 2025A Senior Bonds are secured solely by the Senior Bonds Pledged Revenue (in addition to the 2025A Senior Bond Insurance Policy), and the 2025B Subordinate Bonds are secured solely by the Subordinate Bonds Pledged Revenue. Accordingly, the use of a single Official Statement does not imply that 2025A Owners and the 2025B Owners are secured by the same revenue sources, insurance policies, funds or covenants. 2025A Owners and 2025B Owners are afforded different rights under the 2025A Senior Indenture and the 2025B Subordinate Indenture, respectively. Potential purchasers of each series of Bonds are cautioned to carefully review the provisions below and throughout this Official Statement describing the Indentures to the specific series of Bonds to be purchased.

## **General Description**

The 2025A Senior Bonds are limited tax supported obligations of the Issuer payable from the Senior Bonds Pledged Revenue as provided in the 2025A Senior Indenture. The maturity date and interest rates for the 2025A Senior Bonds are set forth on the inside cover page hereof. For a complete statement of the details and conditions of the 2025A Senior Bonds, reference is made to the 2025A Senior Indenture, a copy of which is available from the Underwriter prior to delivery of the 2025A Senior Bonds. Portions of the 2025A Senior Indenture are described in "THE 2025A SENIOR BONDS," "SECURITY FOR THE 2025A SENIOR BONDS", Appendix C. Capitalized terms not otherwise defined below are defined in Appendix C.

## **Authorized Denominations**

The 2025A Senior Bonds are being issued in "Authorized Denominations," defined in the 2025A Senior Indenture to mean, with respect to the 2025A Senior Bonds, \$5,000 and any integral multiple thereof, provided that in the event a 2025A Senior Bond is partially redeemed and the unredeemed portion is less than \$5,000, such unredeemed portion of such 2025A Senior Bond may be issued or remain Outstanding in the largest possible denomination of less than \$5,000.

# Payment of Principal and Interest; Record Date

The principal of and premium, if any, on the 2025A Senior Bonds shall be payable by check in lawful money of the United States of America at the principal corporate trust operations office of the Trustee or at the principal office of its successor in trust upon presentation and surrender of the 2025A Senior Bonds.

To the extent principal of any 2025A Senior Bond is not paid when due in accordance with the 2025A Senior Indenture, including, without limitation at the stated Maturity thereof, such principal shall remain outstanding until paid. To the extent interest on any 2025A Senior Bond is not paid on any Interest Payment Date such interest shall compound semiannually

on each Interest Payment Date and continue to accrue at the rate then borne by such 2025A Senior Bond. Notwithstanding anything in the 2025A Senior Indenture to the contrary, the Issuer shall not be obligated to pay more than the amount permitted by law and the electoral authorization (including the 2013 Election) in repayment of the 2025A Senior Bonds, including all payments of principal, premium, if any, and interest.

Interest on any 2025A Senior Bonds shall be paid on the Interest Payment Date to the Person whose name appears on the bond registration books of the Trustee as the Bondholder thereof as of the close of business on the Regular Record Date for each Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Regular Record Date and shall be paid to the Person in whose name the 2025A Senior Bond is registered at the close of business on a Special Record Date for the payment of such unpaid interest to be fixed by the Trustee, notice whereof being given by first-class mail to the Bondholders not less than 10 days prior to such Special Record Date.

In the event the 2025A Senior Bonds are in book-entry only form, principal and interest shall be paid to the Securities Depository by federal funds wire transfer to a designated account within the United States of America, all as provided for in the rules and regulations of the Securities Depository.

The 2025A Senior Indenture provides that the 2025A Senior Bonds shall initially be in book-entry only form. In the event the 2025A Senior Bonds are no longer in book-entry only form, interest will be paid (i) by federal funds wire transfer by the Trustee to any account within the continental United States upon written instruction of the Bondholder of at least \$1,000,000 in principal amount of the 2025A Senior Bonds submitted to the Trustee at least one Business Day prior to the Regular Record Date, (ii) by check or draft mailed on the Interest Payment Date by the paying agent to the Owner at its address as it last appears on the registration records kept by the Trustee at the close of business on the Regular Record Date for such Interest Payment Date or (iii) by such other customary banking arrangement acceptable to the Trustee at the request of and at the risk and expense of the Bondholder.

If the specified date for payment of principal or interest is other than a Business Day, payment shall be made on the next succeeding Business Day with the same force and effect as if made on the date specified for such payment, without additional interest.

All payments on the 2025A Senior Bonds shall be made in lawful money of the United States of America, which on the respective dates of payment thereof is legal tender for the payment of public and private debt. CUSIP number identification shall accompany all payments of principal, premium, if any, and interest whether by check or by wire transfer.

The Master Indenture provides that the Trustee shall perform the functions of paying agent and authenticating registrar with respect to the 2025A Senior Bonds.

### **Prior Redemption**

Optional Redemption. The optional redemption provisions of the 2025A Senior Indenture will be provided in the final Official Statement.

<u>Sinking Fund Redemption</u>. The 2025A Senior Bonds are to be redeemed in part in the amounts and on the dates set forth below.

Not more than 45 days nor less than 30 days prior to any sinking fund payment date for the 2025A Senior Bonds, the Trustee shall proceed to select for redemption (by lot in such manner as the Trustee may determine to be fair and reasonable) from all 2025A Senior Bonds outstanding, a principal amount of 2025A Senior Bonds equal to the aggregate principal amount of 2025A Senior Bonds redeemable with the required sinking fund payment, and shall call such 2025A Senior Bonds for redemption from the appropriate sinking fund on the next December 1, and give notice of such call.

At the option of the Issuer, to be exercised by delivery of a written certificate to the Trustee at any time on or before the forty-fifth day next preceding any scheduled sinking fund redemption date, the Issuer may (a) deliver to the Trustee for cancellation 2025A Senior Bonds which are subject to mandatory sinking fund redemption on such date or portions thereof (in Authorized Denominations) in any aggregate principal amount desired by the Issuer or (b) specify a principal amount of 2025A Senior Bonds which are subject to mandatory sinking fund redemption on such date or portions thereof (in Authorized Denominations) which prior to the date of delivery of such certificate have been either redeemed (otherwise than pursuant to these provisions) and cancelled by the Trustee at the request of the Issuer and theretofore applied as a credit against any scheduled sinking fund redemption obligation. Each such 2025A Senior Bond or portion thereof so delivered or previously redeemed shall be credited by the Trustee at 100% of the principal amount thereof against the obligation of the Issuer to redeem 2025A Senior Bonds of the same maturity as such 2025A Senior Bonds on the scheduled sinking fund redemption date or dates for such 2025A Senior Bonds specified by the Issuer in such written certificate.

Redemption Procedure and Notice. Whenever provision is made in the 2025A Senior Indenture for the redemption by the Issuer of less than all of the 2025A Senior Bonds, the Trustee shall select the 2025A Senior Bonds to be redeemed, in Authorized Denominations, by lot, in any manner which the Trustee in its sole discretion shall deem to be fair and reasonable. With respect to a 2025A Senior Bond that is of a denomination larger than the minimum Authorized Denomination of 2025A Senior Bonds, a portion of such 2025A Senior Bond which would constitute an Authorized Denomination may be redeemed. The Trustee shall promptly notify the Issuer in writing of any redemption of the 2025A Senior Bonds or portions thereof so selected for redemption. The selection of 2025A Senior Bonds shall be at such time as determined by the Trustee.

Notice of redemption by the Issuer shall, except as otherwise provided in the 2025A Senior Indenture, be given by Electronic Means or mailed by first-class mail by the Trustee, not less than 30 nor more than 60 days prior to the date fixed for redemption or purchase, to the Rating Agencies, if any, then rating the 2025A Senior Bonds, and the respective Bondholders of the 2025A Senior Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee.

Failure by the Trustee to give notice of redemption pursuant to the 2025A Senior Indenture by Electronic Means or via mail to the Rating Agencies, if any, then rating the 2025A Senior Bonds or to any one or more of the Bondholders of any 2025A Senior Bonds designated

for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Owner or Bondholders to whom such notice was given via Electronic Means or mailed.

Any notice given pursuant to this subsection may be rescinded by written notice given to the Trustee by the Issuer no later than 5 Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same persons, as notice of such redemption was given pursuant to this subsection.

#### **Funds and Accounts**

The 2025A Senior Indenture creates and establishes the following funds and accounts, which are established with the Trustee and maintained by the Trustee in accordance with the provisions of the 2025A Senior Indenture: (a) the Senior Bonds Revenue Fund; (b) the Senior Bonds Fund; (c) the Senior Bonds Reserve Fund; and (d) the Rebate Fund.

Senior Bonds Fund. Moneys deposited from time to time in the Senior Bonds Fund, and moneys transferred thereto from the Senior Bonds Reserve Fund, shall be applied by the Trustee to pay principal of and interest on all Senior Bonds Outstanding as they become due.

Moneys deposited in the Senior Bonds Fund from sources other than investment earnings on any account created therein shall be spent within a 13-month period beginning on the date of deposit, and any amount received from the investment of money held in or transferred to any Fund created or permitted herein shall be spent within one year beginning on the date of receipt. For purposes of this provision, money deposited in any account or subaccount of the Senior Bonds Fund shall be deemed spent on a first-in, first-out basis.

The Trustee shall deposit from Senior Bonds Pledged Revenues, in accordance with the provisions of the 2025A Senior Indenture described in "SECURITY FOR THE 2025A SENIOR BONDS – Flow of Funds," the following amounts in the Principal Account of the Senior Bonds Fund with respect to principal of the 2025A Senior Bonds maturing on December 1, 20\_\_, on the dates specified below, and apply such amounts to the redemption by lot as provided in the 2025A Senior Indenture on December 1, 202\_ and in each of the years 202\_ through 20\_\_ (final maturity) at par, plus accrued interest.

Year	Principal
(December 1)	<u>Amount</u>

\* Stated Maturity.

The Trustee shall anticipate such deposits for the purpose of giving notice of redemption. At the option of the Issuer, to be exercised by delivery of a written certificate to the Trustee on or before the 45th day next preceding any sinking fund redemption date, it may (i) deliver to the Trustee for cancellation 2025A Senior Bonds or portions thereof (in Authorized Denominations), in an aggregate principal amount desired by the Issuer or (ii) direct the Trustee to apply moneys from time to time available or required to be deposited in the Senior Bonds Fund

to the purchase of the 2025A Senior Bonds at prices not higher than par plus accrued interest. Each such 2025A Senior Bond or portion thereof so delivered or purchased, in addition to any 2025A Senior Bonds or portions thereof (in Authorized Denominations), which prior to said date have been redeemed and canceled by the Trustee at the request of the Issuer and not theretofore applied as a credit against any sinking fund redemption obligation, shall be credited by the Trustee, at 100% of the principal amount thereof, on a pro rata basis (based on the Outstanding principal amounts of the 2025A Senior Bonds), against all subsequent sinking fund redemptions of the related maturity of 2025A Senior Bonds and the deposits described above for the related maturity of 2025A Senior Bonds shall be reduced on a pro rata basis by such amount.

<u>Senior Bonds Reserve Fund</u>. On any Interest Payment Date, in the event that a deficiency exists in the Senior Bonds Fund, the Trustee shall transfer funds on deposit in the Senior Bonds Reserve Fund (including funds withdrawn from any Reserve Fund Surety Policy) to the Senior Bonds Fund in the amount necessary to satisfy any deficiency that may exist in such fund.

The Trustee shall give timely notice to the Issuer at any time when the balance of money in the Senior Bonds Reserve Fund is less than the applicable Senior Bonds Reserve Requirement.

Any moneys at any time in the Senior Bonds Reserve Fund in excess of the Senior Bonds Reserve Requirement, including investment earnings derived from amounts on deposit in the Senior Bonds Reserve Fund, may be withdrawn therefrom and transferred to the Senior Bonds Revenue Fund for application as provided in the 2025A Senior Indenture.

If at any time the aggregate amount of funds available in the Senior Bonds Reserve Fund (subject to any restriction on the application of such accounts set forth in the 2025A Senior Indenture), together with amounts available in the Senior Bonds Fund are sufficient to pay principal and interest on all Senior Bonds then Outstanding, such amounts in the Senior Bonds Reserve Fund shall be transferred to the Senior Bonds Fund and applied to payment of such Senior Bonds in accordance with the 2025A Senior Indenture and the Supplemental Indenture pursuant to which other Senior Bonds are issued. Upon the final maturity date or the date on which a Series of Senior Bonds is paid or defeased in full, there shall be released from the Senior Bonds Reserve Fund an amount equal to the Senior Bonds Reserve Requirement for such Series of Senior Bonds, or such lesser amount as would result in there remaining on deposit in the Senior Bonds Reserve Fund, the Senior Bonds Reserve Requirement for all other Series of Senior Bonds that remain Outstanding.

In the event the Issuer shall deliver a Reserve Fund Credit Facility in substitution for moneys then on deposit in the Senior Bonds Reserve Fund, the Trustee is authorized to transfer to the Senior Bonds Fund, as directed by the Issuer, moneys on deposit in the Senior Bonds Reserve Fund in an amount equal to the face amount of such Reserve Fund Credit Facility. In addition, the Trustee is authorized to release any Reserve Fund Credit Facility from the Trust Estate in the event the Issuer shall deliver to the Trustee for deposit to the Senior Bonds Reserve Fund moneys in an amount equal to the amount then available to be drawn under such released Reserve Fund Credit Facility. In the event that the Reserve Fund Credit Facility is to expire or terminate prior to the payment of the Senior Bonds to which it applies in full, the Trustee shall make a drawing thereunder in an amount equal to the lesser of the amount that, when deposited to the Senior Bonds

Reserve Fund, will cause the balance held therein to equal the Senior Bonds Reserve Requirement and the maximum available to be drawn under the Reserve Fund Credit Facility.

Rebate Fund. This section of the 2025A Senior Indenture shall apply separately to each issue of Senior Bonds which Tax-Exempt Bonds. Within 60 days after each Calculation Date and not later than 60 days after the redemption of the last Senior Bonds which are Tax-Exempt Bonds, the Issuer shall compute the Excess Investment Earnings for the year just completed and shall direct the Trustee to, in accordance with the 2025A Senior Indenture, transfer from the Senior Bonds Revenue Fund to the Rebate Fund an amount equal to the amount so computed. If the amount so computed is a negative number, said amount may be withdrawn from the Rebate Fund and deposited in the Senior Bonds Revenue Fund. All amounts in the Rebate Fund, including income earned from the investment of such amounts, shall be held by the Trustee free and clear of the liens described in the 2025A Senior Indenture. The Trustee shall pay over to the United States of America, not later than 60 days after the fifth anniversary of the date of issuance of each Series of Senior Bonds which are Tax-Exempt Bonds and at least every five years thereafter until the final redemption of the last Bond, an amount equal to 90% of the net aggregate amount transferred to or earned in the Rebate Fund during such period and not theretofore paid to the United States of America and, not later than 60 days after the redemption of each Series of Senior Bonds which is a Tax-Exempt Bond, 100% of the aggregate amount in the Rebate Fund. Notwithstanding the foregoing, the Trustee shall at all times maintain and administer the Rebate Fund in conformity with all applicable federal statutes and regulations as the same may be amended from time to time.

## **Book-Entry Only System**

The 2025A Senior Bonds will be available only in book-entry form in the principal amount of not less than \$5,000 and any integral multiple thereof. DTC will act as the initial securities depository for the 2025A Senior Bonds. The ownership of one fully registered 2025A Senior Bond for each maturity, as set forth on the inside cover page of this Official Statement, in the aggregate principal amount of such maturity coming due thereon, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix B – Book-Entry Only System.

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED 2025A OWNER OF THE 2025A SENIOR BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED 2025A OWNERS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL 2025A OWNERS.

Neither the Issuer, the District, nor the Trustee will have any responsibility or obligation to DTC's Direct Participants or Indirect Participants (defined in Appendix B), 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 2025A Senior Bonds as further described in Appendix B to this Official Statement.

#### **SECURITY FOR THE 2025A SENIOR BONDS**

The 2025A Senior Indenture secures solely the 2025A Senior Bonds, and the covenants made by the Issuer in the 2025A Senior Indenture are solely for the benefit of the 2025A Owners. The 2025B Subordinate Bonds are <u>not</u> secured by, and the Owners thereof have no right to enforce any provision of, the 2025A Senior Indenture. For capitalized terms not defined in this section, see Appendix C.

# **Limited Tax Supported Obligations**

The 2025A Senior Bonds constitute limited tax supported obligations of the Issuer as provided in the 2025A Senior Indenture. Principal of the 2025A 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 Bonds Pledged Revenues, including all moneys and earnings thereon held in the funds and accounts created in the 2025A Senior Indenture, and the Senior Bonds Pledged Revenues is pledged to the payment of the 2025A Senior Bonds. *The 2025A Senior Bonds are not obligations of the County or the State*.

The 2025A Senior Bonds are additionally secured by the Senior Bonds Reserve Fund in the amount of the Senior Bonds Reserve Requirement (\$[Required Reserve]\*), which will be satisfied by the issuance of the 2025A Reserve Policy.

The 2025A Senior Bonds constitute an irrevocable lien upon the Senior Bonds Pledged Revenue, but not necessarily an exclusive such lien. The 2025A Senior Bonds are secured by a lien on the Senior Bonds Pledged Revenue on parity with the lien thereon of any Parity Senior Bonds issued in the future. See "RISK FACTORS – Limited Security for the 2025A Senior Bonds," and "– Risks Related to Property Tax Revenues."

The 2025A Senior Bonds are not secured directly by any lien on property located within the District; rather they are secured by the Issuer's covenant to certify to the Board of County Commissioners the District No. 2 Senior Required Mill Levy. The District No. 2 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 Bonds Pledged Revenues**

The Senior Bonds Pledged Revenues are generally defined in the 2025A Senior Indenture to mean: (a) District No. 2 Senior Required Mill Levy Revenue; (b) Senior Specific Ownership Taxes; and (c) any other legally available amounts that the Issuer may designate to be paid to the Trustee for deposit into the Senior Bonds Revenue Fund, or otherwise held under the 2025A Senior Indenture.

# District No. 2 Senior Required Mill Levy Revenue

<u>District No. 2 Senior Required Mill Levy Revenue</u>. In accordance with the 2025A Senior Indenture, the District No. 2 Senior Required Mill Levy Revenue means revenues generated

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<sup>\*</sup> Preliminary; subject to change.

from the imposition by District No. 2 of the District No. 2 Senior Required Mill Levy, net of collection costs; provided, however, that the District No. 2 Senior Required Mill Levy Revenue does not include Senior Specific Ownership Taxes.

<u>District No. 2 Senior Required Mill Levy</u>. Pursuant to the 2025A Senior Indenture, the District No. 2 Senior Required Mill Levy is defined as an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed by District No. 2 pursuant to the District No. 2 Pledge Agreement upon all taxable property within its boundaries each year in the following amount:

- (a) subject to adjustment as provided in paragraph (b) below, an amount sufficient (taking into account amounts then on deposit in the Senior Bonds Fund available for payment of the applicable Senior Bonds) to pay the principal of, premium if any, and interest on the Senior Bonds, as the same become due and payable, and to replenish the Senior Bonds Reserve Fund to the Senior Bonds Reserve Fund Requirement, to the extent necessary, but not in excess of 50 mills, subject to adjustment; and
- (b) provided, however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2013, the levy cap of 50 mills will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Issuer 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
- (c) provided, further, however, notwithstanding anything in the 2025A Senior Indenture to the contrary, in no event may the District No. 2 Senior Required Mill Levy be established at a mill levy amount which would cause District No. 2 to derive tax revenue in any year in excess of the maximum tax increases permitted by its electoral authorization, and if the District No. 2 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 District No. 2's electoral authorization, the District No. 2 Senior Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

The assessed value and actual value of certain subclasses of residential and non-residential property were reduced in accordance with SB 24-233 and HB 24B-1001 (each as defined herein). See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes." For additional information on the SB 24-233, HB 24B-1001 and the calculation of actual and assessed valuation generally, see "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes."

## **Specific Ownership Taxes**

The 2025A Senior Indenture. Specific Ownership Taxes are defined in the 2025A Senior Indenture to mean the specific ownership taxes remitted pursuant to Section 42-3-1107,

C.R.S., or any successor statute to District No. 2 as a result of imposition by District No. 2 of the District No. 2 Senior Required Mill Levy, net of any costs of collection.

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 District No. 2 Senior Required Mill Levy and the District No. 2 Subordinate Required Mill Levy is pledged to the Bonds. The amount of Specific Ownership Taxes received by the District depends in part upon the amount of the District No. 2 Senior Required Mill Levy and the District No. 2 Subordinate Required Mill Levy. S.O. Tax received by the District from its operations and maintenance mill levy will be used to pay operations and maintenance and is not pledged to the Bonds. Furthermore, the amount of S.O. Tax revenue which will be received by the District in the future can be expected to fluctuate as the number of new car and truck registrations fluctuates.

Neither the Issuer nor the District is in control of the imposition, collection or distribution of the S.O. Tax, and therefore cannot assure any future amounts of Specific Ownership Tax revenues.

## **Pledge Agreement**

Pursuant to the Amended and Restated Pledge Agreement between District No. 2 and the Issuer (the "Pledge Agreement"), District No. 2 has agreed, among other things to: (a) permit the issuance of the Bonds by the Issuer; (b) pay as much of the Annual Obligations Costs (which includes the debt service on the Bonds) as may be funded with the Pledged Revenues (defined as the aggregate of the revenue derived from the Required Mill Levy (as defined in the Pledge Agreement but generally meaning the mill levies required by the Indentures and the instruments authorizing any additional District No. 2 Debt Obligations)), and any Specific Ownership Taxes related to the Required Mill Levy (as defined in the Pledge Agreement), and to pledge the Pledged Revenues to the payment of the Annual Obligation Costs; (c) impose the Required Mill Levy (as defined in the Pledge Agreement) for so long as District No. 2 Debt

Obligations (including the Bonds, and as defined in the Pledge Agreement) remain outstanding, in the amounts determined by the Issuer; and (d) remit all Pledged Revenues (as defined in the Pledge Agreement) to the Trustee as soon as practicable upon receipt for further application in accordance with the Indentures.

Capitalized terms used under this subheading " – Pledge Agreement" have the meanings given to such terms in the Pledge Agreement unless otherwise indicated. See Appendix C.

Funding of Debt Obligations Costs Generally under Pledge Agreement. Pursuant to the Pledge Agreement, the Issuer and District No. 2 have agreed as follows:

- (a) The Issuer has issued the Series 2019A Bonds, the Series 2020A Bonds, and the Series 2020B Bonds and shall issue from time to time other District No. 2 Debt Obligations as necessary to finance or refinance and construct the Public Improvements in accordance with the Service Plan and the Establishment Agreement. In exchange for the purchase by the Owners of District No. 2 Debt Obligations (which includes the Bonds), the proceeds of which are to be applied to the provision of the Public Improvements (or the refinancing thereof) in accordance with the Indentures and the other Financing Documents, District No. 2 agrees to pay as much of the Annual Obligations Costs as may be funded with the Pledged Revenues available to District No. 2 from the Required Mill Levy Revenue and Specific Ownership Taxes, in accordance with the provisions of the Pledge Agreement.
- (b) The obligation of District No. 2 to levy, collect and remit to the Trustee and to other parties in accordance with the Financing Documents, the Required Mill Levy Revenue as provided in the Pledge Agreement shall constitute a limited tax general obligation (convertible to unlimited tax unless otherwise limited by the Financing Documents) of District No. 2 subject to the limitations set forth in the Pledge Agreement. The obligations of District No. 2 to impose, collect, and remit to the Trustee, and to other parties in accordance with the Financing Documents, the Specific Ownership Taxes shall constitute a special, limited obligation of District No. 2 payable solely from and to the extent of such Specific Ownership Taxes.
- (c) The Pledged Revenues are pledged by District No. 2 pursuant to the Pledge Agreement to the Issuer, for the benefit of the Owners, for the payment of the Annual Obligations Costs in accordance with the provisions thereof. The Payment Obligation (i.e., the obligation of District No. 2 to pay the Annual Obligation Costs in accordance with the provisions of the Pledge Agreement, but solely from and to the extent of the Pledged Revenues) shall constitute an irrevocable lien upon the Pledged Revenues of District No. 2. District No. 2 has elected under the Pledge Agreement to apply all of the provisions of the Supplemental Act to the Pledge Agreement and the Payment Obligation, except that, in accordance with Section 11-57-204(1), C.R.S., the 40 year limitation set forth in Section 11-57-207(1)(a), C.R.S., shall not apply to the obligations of District No. 2 under the Pledge Agreement.

- (d) In no event shall the total or annual obligations of District No. 2 under the Pledge Agreement exceed the maximum amounts permitted under its Service Plan, its electoral authority and any other applicable law. The entire Payment Obligation with respect to District No. 2 will be deemed defeased upon the earlier of (i) the Termination Date (generally meaning the date on which all Debt Obligations permitted to be issued by the Issuer have been defeased pursuant to the Bond Documents), or (ii) payment by District No. 2 of such amount.
- (e) Because the actual total District Pledged Revenue payable by District No. 2 under the Pledge Agreement cannot be determined with any certainty at the time of the execution of the Pledge Agreement, the District is not permitted to pre-pay any amounts due under the Pledge Agreement.

<u>Imposition of Required Mill Levy</u>. Pursuant to the Pledge Agreement, the Issuer and District No. 2 covenant as follows:

- (a) In order to fund the Payment Obligation, District No. 2 agrees in the Pledge Agreement to levy on all property subject to taxation by District No. 2, in addition to all other taxes, direct annual taxes in 2020, and in each year thereafter so long as any District No. 2 Debt Obligations remain outstanding, in the amount of the Required Mill Levy, as determined by the Issuer. Nothing in the Pledge Agreement shall be construed to require District No. 2 to impose an ad valorem property tax levy for the payment of the Payment Obligation in excess of the Required Mill Levy or after the Termination Date. It is acknowledged in the Pledge Agreement by District No. 2 that the Issuer is required, in accordance with the Indentures, to determine the ad valorem property tax levy to be imposed by District No. 2 thereunder in accordance with the terms of the Indentures and other Financing Documents (subject to the limitations of the Pledge Agreement, including the limitations of the Required Mill Levy definitions set forth therein).
- (b) In order to facilitate the determination of the Required Mill Levy by the Issuer, District No. 2 shall provide to the Issuer (i) on or before September 30 of each year, commencing September 30, 2020, the preliminary certification of assessed value for District No. 2 provided by the Douglas County Assessor; and (ii) no later than one business day after receipt by District No. 2, the Final Assessed Valuation for District No. 2 provided by the Douglas County Assessor (expected to be provided to District No. 2 no later than December 10 of each year). In accordance with the definition of Required Mill Levy set forth in the Pledge Agreement, the Issuer shall use such information to determine the Required Mill Levy for such calendar year. The Issuer shall preliminarily confirm the Required Mill Levy and provide the same to District No. 2 no later than October 1 of each year, and shall finally confirm the Required Mill Levy and provide the same to District No. 2 no later than December 10 of each year.
- (c) The Issuer shall promptly notify District No. 2 when the Debt to Assessed Ratio is 50% or less so that District No. 2 can, if required by the applicable Financing Documents, convert the Required Mill Levy to an amount without limitation.

- (d) District No. 2 acknowledges in the Pledge Agreement that it has actively participated in the development of the calculations for determining the Required Mill Levy, that such calculation is designed to relate to the benefit to District No. 2 of the Public Improvements financed by the District No. 2 Debt Obligations and that, so long as made in accordance with the definition of Required Mill Levy, the determinations of the Issuer as to the Required Mill Levy shall be final and binding upon District No. 2.
- (e) This subsection of the Pledge Agreement is declared to be the certificate of District No. 2 to the Board of County Commissioners of Douglas County indicating the aggregate amount of taxes to be levied for the purposes of paying the Payment Obligation due under the Pledge Agreement.
- (f) It shall be the duty of District No. 2 annually at the time and in the manner provided by law for the levying of District No. 2's taxes, if such action shall be necessary to effectuate the provisions of the Pledge Agreement, to ratify and carry out the provisions thereof with reference to the levy and collection of the ad valorem property taxes specified in the Pledge Agreement, and to require the officers of District No. 2 to cause the appropriate officials of the County, to levy, extend and collect said ad valorem taxes in the manner provided by law for the purpose of providing funds for the payment of the amounts to be paid under the Pledge Agreement promptly as the same, respectively, become due. Said taxes, when collected, shall be applied only to the payment of the amounts to be paid under the Pledge Agreement in accordance with the provisions of the Pledge Agreement.
- (g) Pursuant to the Pledge Agreement, the Required Mill Levy shall be levied, assessed, collected, and enforced at the time and in the form and manner and with like interest and penalties as other general taxes in the State.
- (h) Pursuant to the Pledge Agreement, District No. 2 shall pursue all reasonable remedies to collect, or cause the collection of, delinquent Required Mill Levy Revenue within its boundaries.

Payment and Application of District Pledged Revenues. Pursuant to the Pledge Agreement, District No. 2 has agreed to remit to the Trustee and/or any other entity designated by the Issuer pursuant to the Indentures and the other applicable Financing Documents, as soon as practicable upon receipt, all revenues comprising the Pledged Revenues, which Pledged Revenues shall be applied by the Trustee and such other parties to pay Annual Obligations Costs, in accordance with the Indentures and any other applicable Financing Documents. Such Pledged Revenues shall be paid by District No. 2 in lawful money of the United States of America by check mailed or delivered, or by wire transfer, to the Trustee, and such other appropriate parties pursuant to the other Financing Documents or such other method as may be mutually agreed to by the Issuer, the Trustee, and such other appropriate parties pursuant to the other Financing Documents. To the extent that excess revenues are released to the Issuer pursuant to the provisions of the Indentures or other applicable Financing Documents, the Issuer agrees to apply the same to the construction and acquisition of Public Improvements or repayment of the Issuer's obligations incurred to construct or acquire such Public Improvements, as permitted by law, the 2013 Election, and any applicable agreements pertaining to such revenues.

Effectuation of Pledge of Security, Current Appropriation. The sums required to by paid by District No. 2 pursuant to the Pledge Agreement to pay the amounts due under the Pledge Agreement are appropriated pursuant to the Pledge Agreement for that purpose, and said amounts for each year are required by the Pledge Agreement to be included in the annual budget and the appropriation resolution or measures to be adopted or passed by the District No. 2 Board in each year while any of the Payment Obligations authorized by the Pledge Agreement are outstanding and unpaid. No provisions of any constitution, statute, resolution or other order or measure enacted after the execution of the Pledge Agreement shall in any manner be construed as limiting or impairing the obligation of District No. 2 to levy, administer, enforce and collect the ad valorem property taxes as provided in the Pledge Agreement for the payment of the Payment Obligations.

Furthermore, District No. 2 acknowledges in the Pledge Agreement that third parties may provide financial commitments and additional security for the District No. 2 Debt Obligations and, as a result, shall be entitled to rely on the payment obligations of District No. 2 to the Issuer contained in the Pledge Agreement. Accordingly, it is acknowledged by District No. 2 in the Pledge Agreement that the purpose of this section of the Pledge Agreement is to ensure that the Trustee, on behalf of the Owners, receives all payments due under the Pledge Agreement in a timely manner in order to pay the District No. 2 Debt Obligations Costs for the benefit of the Owners and such third parties.

In addition, and without limiting the generality of the foregoing, the obligations of District No. 2 to transfer funds to the Trustee for each payment described under the Pledge Agreement shall survive any court determination of the invalidity of the Pledge Agreement as a result of a failure, or alleged failure, of any of the directors of District No. 2 to properly disclose, pursuant to State law, any potential conflicts of interest related to the Pledge Agreement in any way, provided that such disclosure is made on the record of District No. 2's meetings as set forth in their official minutes.

Limited Defenses; Specific Performance. It is understood and agreed by District No. 2 in the Pledge Agreement that its obligations thereunder are absolute, irrevocable, and unconditional except as specifically stated therein, and so long as any obligation of District No. 2 thereunder remains unfulfilled, District No. 2 has agreed that notwithstanding any fact, circumstance, dispute, or any other matter, it will not assert any rights of setoff, counterclaim, estoppel, or other defenses to its payment obligations, or take or fail to take any action which would delay a payment to the Issuer or the Trustee or impair the Issuer's ability to receive payments due thereunder. Notwithstanding that the Pledge Agreement specifically prohibits and limits defenses and claims of District No. 2, in the event District No. 2 believes that it has valid defenses, setoffs, counterclaims, or other claims other than specifically permitted by this paragraph, it shall, nevertheless, make all payments to the Trustee as described therein and then may attempt or seek to recover such payments by actions at law or in equity for damages or specific performance, respectively.

Additional Covenants under Pledge Agreement. District No. 2 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 its Payment Obligation.

Without the prior written consent of the Issuer and for so long as an Indenture or Indentures preventing such issuance remains in effect, District No. 2 will not issue or incur bonds, notes, or other obligations payable in whole or in part from, or constituting a lien upon, the general ad valorem taxes of District No. 2 (other than general ad valorem taxes imposed for the purpose of funding operation, maintenance and administrative costs, provided that such taxes are not imposed in excess of the amount permitted under its Service Plan after first taking into account the imposition of the Required Mill Levy) or other Pledged Revenues, other than obligations subject to annual appropriation which are payable on a basis subordinate to the Payment Obligation.

The Issuer shall keep and maintain, or cause to be kept and maintained, accurate records and accounting entries reflecting all funds received from District No. 2 and the use(s) of such funds, including monthly unaudited financial statements reflecting the information contained in the accounting records.

At least once a year in the time and manner provided by law, each of District No. 2 and the Issuer will cause an audit to be performed of the records relating to its revenues and expenditures. In addition, at least once a year in the time and manner provided by law, each of District No. 2 and the Issuer will cause a budget to be prepared and adopted. Copies of such budgets and audits will be filed and recorded in the places, time, and manner provided by law.

Events of Non-Compliance under Pledge Agreement. Pursuant to the Pledge Agreement, the occurrence or existence of any one or more of the following events shall be an "Event of Non-Compliance" under the Pledge Agreement, and there shall be no default or Event of Non-Compliance under the Pledge Agreement except as provided below:

- (a) District No. 2 fails or refuses to impose the Required Mill Levy or to remit the Pledged Revenues as required by the terms of the Pledge Agreement;
- (b) any representation or warranty made by any party in the Pledge Agreement proves to have been untrue or incomplete in any material respect when made and which untruth or incompletion would have a material adverse effect upon any other party;
- (c) any party to the Pledge Agreement fails in the performance of any other of its covenants in the Pledge Agreement, and such failure continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to any of the parties thereto;
- (d) District No. 2 or the Issuer commences proceedings for dissolution during the term of the Pledge Agreement; or
- (e) (i) District No. 2 or the Issuer shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of

its property, or District No. 2 shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against District No. 2 any case, proceeding, or other action of a nature referred to in clause (i) and the same shall remain not dismissed within 90 days following the date of filing; or (iii) there shall be commenced against District No. 2 any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, or bonded pending appeal within 90 days from the entry thereof; or (iv) District No. 2 shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) District No. 2 shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due.

Remedies For Events of Non-Compliance under Pledge Agreement. Subject to certain limited defenses under the Pledge Agreement, upon the occurrence and continuance of an Event of Non-Compliance, any party to the Pledge Agreement may proceed to protect and enforce its rights against the party or parties causing the Event of Non-Compliance by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, including an action for specific performance. In the event of any litigation or other proceeding to enforce any of the terms, covenants or conditions of the Pledge Agreement, the prevailing party in such litigation or other proceeding shall obtain, as part of its judgment or award, its reasonable attorneys' fees and costs.

#### Flow of Funds

- (a) Pursuant to the 2025A Senior Indenture, the Issuer agrees to deposit or cause to be deposited all such Senior Bonds Pledged Revenues with the Trustee promptly after its receipt thereof, and the Trustee shall deposit all such Senior Bonds Pledged Revenues, promptly upon receipt, in the Senior Bonds Revenue Fund.
- (b) The Trustee shall make transfers from the Senior Bonds Revenue Fund to the following Funds and accounts in the amounts, at the times and in the order of priority set forth below:

<u>first</u>, on each Calculation Date, to the Rebate Fund, in an amount equal to any deposits required to be made therein pursuant to the 2025A Senior Indenture;

second, on November 15 of each Bond Year, to the Trustee to pay its fees and expenses as the same become due and payable;

third, at least ten days prior to each Interest Payment Date, to the Interest Account of the Senior Bonds Fund, an amount equal to the interest to become due on the Outstanding Senior Bonds in the current Bond Year;

<u>fourth</u>, at least ten days prior to each December 1, to the Principal Account of the Senior Bonds Fund, an amount equal to the amount of principal and premium, if any, payable on the Senior Bonds on December 1, of the current Bond Year

whether pursuant to Maturity or any mandatory sinking fund redemption established for a Series of Senior Bonds;

<u>fifth</u>, at least ten days prior to each December 1, to the Senior Bonds Reserve Fund the amount necessary, if any, for the amount on deposit therein to equal the Senior Bonds Reserve Requirement for the Senior Bonds;

sixth, while the 2025B Subordinate Bonds and any other Subordinate Bonds are Outstanding, after all deposits in the required amounts have been made for the current Bond Year under "first" through "fifth" above, amounts in the Senior Bonds Revenue Fund for such Bond Year shall be transferred on December [15] of each Bond Year to any other fund or account established for the payment of the principal of, premium if any, and interest on such Subordinate Bonds, including any sinking fund, reserve fund or similar fund or account established therefor, the amounts required by the Subordinate Bonds Indenture or any resolution or other agreement or enactment authorizing the issuance of such Subordinate Bonds; and

seventh, the balance of amounts remaining in the Senior Bonds Revenue Fund following the foregoing distributions shall be transferred to the Issuer to be used for any lawful purpose.

### Issuance of Additional Senior Bonds under the 2025A Senior Indenture

Pursuant to the 2025A Senior Indenture, the Issuer and the Trustee may from time to time, upon the conditions stated below, agree upon and approve the issuance and delivery of additional series of Senior Bonds, secured by the 2025A Senior Indenture and the Supplemental Indenture pursuant to which the Additional Senior Bonds are issued from the revenues and property pledged and appropriated under the 2025A Supplemental Indenture and thereunder, but bearing such date or dates and interest rate or rates and with such redemption dates and premiums as may be agreed upon, with the prior written consent of all of the Bondholders of the then Outstanding Senior Bonds, or upon satisfaction of all of the following conditions:

- (a) <u>Compliance with 2025A Supplemental Indenture</u>. The Issuer is in substantial compliance with all of the covenants of the 2025A Supplemental Indenture and no Event of Default has occurred and is continuing. <u>Debt to Assessed Ratio and 2025A Supplemental Indenture</u>. Upon the issuance of the Additional Senior Bonds, the Debt to Assessed Ratio will be fifty percent (50%) or less, as certified by an Issuer Representative. On the date of the issuance of the proposed series of Senior Bonds, the Trustee shall be in receipt of the originally executed counterparts of the Supplemental Indenture pursuant to which the Additional Senior Bonds are issued, designating the new Series to be created and prescribing expressly or by reference to the Senior Bonds of such Series:
  - (i) the principal amount of such Series;
  - (ii) the terms of such Series;

- (iii) the maturity dates thereof, which shall be a December 1;
- (iv) the rate or rates of interest and the date from which, and the date or dates on which, interest is payable, which shall be the same as the Interest Payment Dates for the 2025A Senior Bonds;
  - (v) provisions as to redemption;
- (vi) any additional security to be provided for such Senior Bonds;
- (vii) any other provisions necessary to describe and define such Series within the provisions and limitations of the 2025A Senior Indenture; and
- (viii) any other provisions and agreements in respect thereof provided, or not prohibited, by the 2025A Senior Indenture.
- (c) Opinion of Bond Counsel. On the date of the issuance of the proposed new Series of Senior Bonds, the Trustee shall be in receipt of an opinion or opinions of Bond Counsel acceptable to the Trustee to the effect that:all instruments furnished to the Trustee conform to the requirements of the 2025A Supplemental Indenture and constitute sufficient authority thereunder for the Trustee to authenticate and deliver the new Series of Senior Bonds then proposed to be issued;
  - (ii) the new Series of Senior Bonds then proposed to be issued, when issued, will be secured by the lien of the 2025A Supplemental Indenture, as supplemented by the new Supplemental Indenture, to the extent provided in the 2025A Supplemental Indenture and therein; and any exclusion from gross income for federal income tax purposes of the interest on the Outstanding Senior Bonds which are Tax-Exempt Bonds will not be impaired by the issuance of the Additional Senior Bonds then proposed to be issued.
- (d) <u>Senior Bonds Reserve Fund</u>. Evidence of compliance with the Senior Bonds Reserve Requirement with respect to each Outstanding Series of Senior Bonds and the Series of Senior Bonds proposed to be issued.

## **Issuance of Refunding Bonds**

Notwithstanding any other provision contained in the 2025A Senior Indenture, Refunding Bonds may be issued as Senior Bonds in such principal amount as may be necessary to refund a Series of the Outstanding Senior Bonds or Subordinate Bonds, provided that such Refunding Bonds do not increase the Issuer's Senior Bonds' Debt Service (there shall be excluded from the definition of Debt Service to become due with respect to the proposed Refunding Bonds at their stated Maturity, the proceeds thereof deposited in the Senior Bonds Reserve Fund and anticipated to be available for payment on such Refunding Bonds at their final maturity) in any year during which the Refunding Bonds and any other Senior Bonds are Outstanding, and the Stated Maturity of the Refunding Bonds is no later than the Stated Maturity of the Bonds being refunded, if prior thereto or simultaneously therewith there are filed with the Trustee:

- (a) The opinion of Bond Counsel required under the 2025A Senior Indenture, except references specified in the 2025A Senior Indenture, shall be deemed to refer to the "Refunding Bonds";
- (b) If any Senior Bonds to be refunded are to be called for prior redemption at the option of the Issuer, a certificate of the Issuer Representative that irrevocable instructions to give due and timely notice of such redemption have been given; and
- (c) A certificate of the Issuer Representative that either (i) moneys in an amount sufficient to effect payment of the Debt Service of the Senior Bonds to be refunded, as the same became due, are held (or are required to be deposited) in an escrow account or with the Trustee in trust for such purpose, or (ii) Government Obligations are held (or are required to be deposited) in an escrow account or with the Trustee in such principal amounts, of such maturities, bearing such interest, if any, and otherwise having such terms and qualifications as set forth in the Master Indenture, to provide, together with any moneys so held (or required to be deposited), for the payment of the debt service of the Senior Bonds to be refunded, as the same become due, which federal securities and moneys are held (or are required to be deposited) in trust in accordance with the Master Indenture.

### **Permitted Subordinate Bonds**

- (a) <u>General</u>. In addition to the 2025B Subordinate Bonds, one or more issues of other Permitted Subordinate Bonds may be issued upon the terms and conditions provided below and in the Subordinate Bonds Indenture.
- (b) <u>Requirements</u>. The terms of the Permitted Subordinate Bonds shall be as provided in the documents pursuant to which they are issued; provided that:
  - (i) the maximum mill levy which the Issuer can require District No. 2 to impose for payment of the Permitted Subordinate Bonds is 50 mills, less the District No. 2 Senior Required Mill Levy pledged to the Senior Bonds, adjusted for changes in law from [the Closing Date];
  - (ii) the Permitted Subordinate Bonds shall not give the Bondholders thereof or any other person any right to impair, affect, or consent to the issuance of Refunding Bonds, which issuance of Refunding Bonds may be such terms and conditions as may be determined by the Issuer Board in its absolute discretion;
  - (iii) no Permitted Subordinate Bonds may be issued if any payment of principal of or interest on the Senior Bonds is due and unpaid, or an Event of Default shall have occurred and be continuing; and
  - (iv) the Permitted Subordinate Bonds shall be payable as to both principal and interest on an annual basis, on a date which is after the final principal or interest payment date due in that calendar year on all Senior Bonds.

(c) <u>Certificate</u>. A written certificate from an Issuer Representative that the conditions for issuance of the Permitted Subordinate Bonds set forth in the 2025A Senior Indenture are met shall conclusively determine the right of the Issuer to authorize, issue, sell, and deliver Permitted Subordinate Bonds in accordance therewith.

## **Superior Bonds Prohibited**

Nothing in the 2025A Senior Indenture permits the Issuer to issue bonds or other securities or incur other obligations having a lien on the Senior Bonds Pledged Revenues superior to the lien thereon of the Senior Bonds, and any such bonds or other securities or other obligations are hereby prohibited.

### Other Debt Prohibited

The Issuer shall not issue or incur bonds, notes, or other obligations payable in whole or in part from, or constituting a lien upon, the Senior Bonds Pledged Revenues, or any debt service mill levy of District No. 2, other than Additional Senior Bonds issued in accordance with "– Issuance of Additional Senior Bonds under the 2025A Senior Indenture," "– Issuance of Refunding Bonds," "– Permitted Subordinate Bonds," and Junior Obligations and Junior Subordinate Obligations issued in accordance with the Master Indenture and a Supplemental Indenture with respect to such Junior Obligations and Junior Subordinate Obligations and obligations subject to annual appropriation.

#### **Covenants of the Issuer**

Pursuant to the Master Indenture, the Issuer has covenanted as follows:

- (a) <u>Performance of Duties</u>. The Issuer will perform or cause to be performed all its duties required under the Master Indenture and under each Supplemental Indenture, including, but not limited to, the collection of the Pledged Revenues (i.e., the Senior Bonds Pledged Revenues) and application thereof in accordance with each Supplemental Indenture (including the 2025A Senior Indenture).
- Levies. The Issuer Board covenants and agree to require each Sterling Ranch District (including District No. 2) to impose a debt service mill levy (including the District No. 2 Senior Required Mill Levy) as provided for in such District's Pledge Agreement (including the Pledge Agreement) and the Supplemental Indenture (including the 2025A Senior Indenture) pursuant to which a Series of Bonds (including the 2025A Senior Bonds) has been issued which are secured by such District Debt Service Mill Levy revenues, and to remit, or cause to be remitted to the Trustee all revenues resulting from the imposition of such District Debt Service Mill Levies for deposit in accordance with such applicable Supplemental Indenture. The Issuer shall determine each District Required Mill Levy for each Sterling Ranch District for each calendar year in accordance with the procedures set forth in each Pledge Agreement. No later than December 10 of each calendar year, commencing in 2019, the Issuer shall give each Sterling Ranch District the final rate of its mill levy in accordance with the requirement of each Pledge Agreement.

- <u>Further Assurances</u>. At any and all times, the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, Pledged Revenues and other moneys pledged by the Master Indenture or assigned, or intended so to be, or which the Issuer may thereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of the Master Indenture and to comply with law. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues and other moneys pledged under the Master Indenture and all the rights of every Owner of the 2025A Senior Bonds against all claims and demands of all persons whomsoever. The Issuer shall take all actions to enforce, and shall cooperate fully with the Trustee in enforcing, the rights to receive payments under each Pledge Agreement. The Issuer shall cause a true and correct copy of each executed Pledge Agreement to be delivered to the Trustee and shall cause each Sterling Ranch District to pay all revenue generated by each District Debt Service Mill Levy directly to the Trustee for deposit as set forth in each Supplemental Indenture.
- (d) <u>Compliance with Certain Agreements</u>. The Issuer covenants in the Master Indenture that it will at all times, comply with all material provisions of the Pledge Agreements (including the Pledge Agreement) and will take no action which may result in, nor fail to take any action necessary to prevent, any noncompliance with or default by the Issuer under any material provision of such agreements. The Issuer also covenants in the Master Indenture that it currently is not in default under any existing Outstanding Obligation or any agreement in connection therewith.
- (e) <u>Use of Proceeds</u>. The Issuer covenants and agrees that the proceeds of the sale of each Series of Bonds will be deposited and used as provided in the Master Indenture and each Supplemental Indenture.
- (f) <u>Issuer Records</u>. So long as any of the 2025A Senior Bonds remain Outstanding, proper books of record and account will be kept by the Issuer showing complete and correct entries of all transactions relating to the 2025A Senior Bonds, the Pledged Revenues, the Trust Estate and the Actual Capital Costs.
- (g) <u>Right to Inspect</u>. The Trustee and any Owner of any of the 2025A Senior Bonds, or any duly authorized agent or agents of the Trustee or such Owner, shall have the right at all reasonable times to inspect all public records, accounts and data which the Issuer may have relating to the 2025A Senior Bonds, the Pledged Revenues, the Trust Estate and the Actual Capital Costs and all properties appertaining thereto.

### (h) Annual Statements and Audits; Other Information.

(i) The Issuer, while any 2025A Senior Bonds are Outstanding and unpaid, will cause an annual audit of its revenues and expenditures to be made by an independent accountant. The Issuer agrees to deliver without request a copy of such audits promptly after completion, and in all events within 180 days after

the end of the Fiscal Year to which such audit relates, to the Trustee, who shall deliver copies to any beneficial owner of any 2025A Senior Bond who requests the same. The Issuer also covenants that, to the extent any 2025A Senior Bonds are subject to the provisions of the Rule 15c2-12, promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the Issuer will take all necessary action to enable compliance with the applicable provisions of such Rule 15c2-12, including entering into an undertaking to provide continuing disclosure as and if required by such Rule 15c2-12 with respect to such 2025A Senior Bonds. The Trustee shall have no duty to review or examine any financial statements received.

- (ii) The Issuer shall, promptly following receipt by the Issuer, file with the Trustee any notification of any material failure to comply with any Pledge Agreement.
- (i) <u>No Other Liens</u>. Other than as specifically provided in the Master Indenture or in a Supplemental Indenture, there are no liens or encumbrances of any nature whatsoever on or against the Pledged Revenues.
- (j) <u>Issuer Existence</u>. The Issuer will maintain its legal identity and existence so long as any of the 2025A Senior Bonds remain Outstanding, unless another legal entity by operation of law succeeds to the liabilities and rights of the Issuer under the Master Indenture and under the 2025A Senior Bonds without materially adversely affecting the privileges and rights of any Owner of any 2025A Senior Bonds.
- (k) Protection of Security. The Issuer or any officers, Board members, agents or employees of the Issuer shall not take any action in such manner or to such extent as might materially prejudice the security for the payment of the 2025A Senior Bonds and the interest thereon according to the terms thereof, including, without limitation, the giving of consents to actions by others and material amendments to any Pledge Agreement. The Trustee, on behalf of the Issuer and at the direction of the Issuer, shall cause all continuation statements, if any, related to the Master Indenture and the Pledged Revenues, and such other documents as may be necessary, in the opinion of Counsel acceptable to the Trustee, to be kept and filed in manner and such places as may be required by law in order to preserve and protect fully the security of the Owners of the 2025A Senior Bonds and the rights of the Trustee under the Master Indenture.
- (l) <u>Notices to Trustee</u>. The Issuer shall notify the Trustee in writing of any failure to receive any revenues required to be remitted under any Pledge Agreement, specifying the reason or reasons for such failure of payment by any Sterling Ranch District or other responsible party. Such notice shall be provided by the Issuer as soon as practicable following the Issuer's learning of such failure.
- (m) <u>Pledge Agreements</u>. The Issuer agrees that it will not consent to any amendment of or modification to the Pledge Agreement or any other Pledge Agreement that would in any manner adversely impact the pledge of revenue for, or the payment of debt service with respect to the 2025A Senior Bonds.

### (n) Tax Covenant.

- (i) The Issuer has covenanted in the Master Indenture for the benefit of each Owner of any Tax-Exempt Bond (including the 2025A Senior Bonds) that it shall not (a) make any use of the proceeds of any Tax-Exempt Bonds, any fund reasonably expected to be used to pay the principal of or interest on any Tax-Exempt Bonds, or any other funds of the Issuer; (b) make any use of the facilities comprising the Project; or (c) take, or omit to take, any other action with respect to any Tax-Exempt Bonds, the proceeds thereof, or otherwise, if such use, action or omission would under the Code, cause the interest on any Tax-Exempt Bonds to be included in gross income for federal income tax purposes or be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, trusts and estates.
- (ii) In particular, the Issuer has covenanted in the Master Indenture for the benefit of each Owner of any Tax-Exempt Bonds (including the 2025A Senior Bonds) that it shall not take, or omit to take, or permit or suffer any action to be taken if the result of the same would cause the Tax-Exempt Bonds to be (a) "arbitrage bonds" within the meaning of Section 148 of the Code, including for such purposes, to the extent applicable, the rebate requirements of Section 148(f) of the Code; or (b) "private activity bonds" within the meaning of Section 141 of the Code. Such covenants of the Issuer shall survive the payment of the Tax-Exempt Bonds until all rebate requirements related to the Tax-Exempt Bonds have been satisfied.

Pursuant to the 2025A Senior Indenture, the Issuer has, among other covenants, also covenanted as follows:

- (a) to enforce the collection of all amounts payable by District No. 2 under the Pledge Agreement in accordance with the terms and provisions thereof, and will diligently pursue all remedies available to it with regards to such enforcement, whether at law or in equity; and
- (b) for so long as the Bonds are outstanding, the Issuer will not consent to the issuance by District No. 2 of bonds, notes or other obligations payable in whole or in part from, or constituting a lien upon, the general ad valorem taxes of District No. 2 (other than general ad valorem taxes imposed for the purpose of funding operation, maintenance and administrative costs, provided that such taxes are not imposed in excess of the amount permitted under its Service Plan after first taking into account the imposition of the District No. 2 Senior Required Mill Levy) or other revenues pledged by District No. 2 under the Pledge Agreement, other than obligations subject to annual appropriation which are payable on a subordinate basis.

## **Pledge of Trust Estate**

Pursuant to the 2025A Senior Indenture, and subject only to the rights of the Issuer to apply amounts under the provisions of 2025A Supplemental Indenture, a pledge of the Trust

Estate to the extent provided in the 2025A Supplemental Indenture is made, and the same is pledged to secure the payment of the principal of, premium, if any, and interest on the Senior Bonds. The pledge hereby made shall be valid and binding from and after the time of the delivery of the first Senior Bond authenticated and delivered under the 2025A Supplemental Indenture.

#### **2025**A Events of Default and Remedies

### 2025A Events of Default.

- (a) 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 this Supplemental 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 2025A Senior Indenture except as provided in this Section:
  - (i) The Issuer fails to cause District No. 2 to impose the District No. 2 Senior Required Mill Levy as provided in the Master Indenture, the 2025A Supplemental Indenture, and the Pledge Agreement; or
  - (ii) The Issuer fails to collect the Senior Bonds Pledged Revenues or apply the Senior Bonds Pledged Revenues as required by this Supplemental Indenture for a period of 45 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Required Holders; or
  - (iii) The Issuer fails to observe or perform any covenant or agreement on its part under the 2025A Senior Indenture other than those covenants and agreements listed under subsection (a)(i) above, for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Required Holders, provided, however, that if the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given, it shall not be an Event of Default with respect to such Series as long as the Issuer has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy; or
  - (iv) If the Issuer or District No. 2 institutes proceedings to be adjudicated as bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition or answer or consent seeking reorganization or relief under the Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or District No. 2 or of any

substantial part of its respective property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; or

- (v) Any Event of Non-Compliance has occurred under the District No. 2 Pledge Agreement.
- (b) It is acknowledged that due to the limited nature of the Senior Bonds Pledged Revenues, the failure to pay the principal of or interest on the Senior Bonds when due shall not, in and of itself, constitute an Event of Default under the 2025A Senior Indenture, if the Issuer is otherwise in compliance with all provisions thereof.

<u>No Acceleration</u>. There shall be no rights of acceleration with respect to the Senior Bonds.

Other Remedies. Following the occurrence of an Event of Default, the Trustee may enforce each and every right granted to the Issuer or the Trustee under the 2025A Senior Indenture. In exercising such rights and the rights given the Trustee under the 2025A Senior Indenture, the Trustee shall take such action as, in the judgment of the Trustee applying the standards described in the 2025A Senior Indenture, would best serve the interests of the Bondholders.

<u>Legal Proceedings by Trustee</u>. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Majority Interest and receipt of indemnity to its satisfaction, shall, in its own name:

- (a) By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Issuer to carry out any other provisions of the 2025A Supplemental Indenture for the benefit of the Bondholders; and
- (b) By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

<u>Discontinuance of Proceedings by Trustee</u>. If any proceeding commenced by the Trustee on account of any default is discontinued or is determined adversely to the Trustee, then the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights under the 2025A Senior Indenture as though no such proceedings had been commenced.

Bondholders May Direct Proceedings. The Majority Interest shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee under the 2025A Senior Indenture, provided that such direction shall not be in conflict with any rule of law or with the 2025A Supplemental Indenture or unduly prejudice the rights of minority Bondholders and provided further that the Trustee may decline to follow such directions if the Trustee, upon advice of counsel, determines that the taking of the action specified in such directions would involve it in personal liability against which indemnity would not be satisfactory.

<u>Limitations on Actions by Bondholders</u>. No Bondholder shall have any right to pursue any remedy under the 2025A Senior Indenture unless:

- (a) the Trustee shall have been given written notice of an Event of Default;
- (b) the Majority Interest shall have requested the Trustee, in writing, to exercise the powers granted in the 2025A Senior Indenture or to pursue such remedy in its or their name or names;
- (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities; and
- (d) the Trustee shall have failed to comply with such request within a reasonable time.

Waivers of Events of Default. The Trustee may waive any Event of Default under the 2025A Senior Indenture and its consequences and shall do so upon the written request of the Majority Interest. In case of any such waiver, or in case the Trustee or the Majority Interest shall have proceeded to enforce any right under the 2025A Supplemental Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or the Majority Interest, then and in every such case the Issuer, Trustee and the Bondholders shall be restored to their former positions and rights under the 2025A Senior Indenture with respect to the Trust Estate, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceedings had been taken.

Application of Moneys in Event of Default. During the continuance of an Event of Default, all moneys held and received by the Trustee pursuant to any right given or action taken under the provisions of the 2025A Senior Indenture and any other moneys held as part of the Trust Estate shall, after payment of the costs and expenses of the proceedings which result in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect thereto, be applied according to the accrued debt service deposits or payments with respect to each Series of Senior Bonds as follows; provided, however, that amounts held in accounts of the Senior Bonds Reserve Fund shall be applied solely to pay interest and principal of the related Series of Senior Bonds:

(a) Unless the principal of all such Outstanding Bonds shall have become due and payable:

<u>First</u>: To the payment to the Bondholders entitled thereto of all installments of interest then due on the Senior Bonds in the order of maturity of such installments (provided that any interest accrued on unpaid debt service shall be due before any other installment of interest), and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the Bondholders entitled thereto, without any discrimination or preference;

Second: To the payment to the Bondholders entitled thereto of the unpaid principal amounts of the Senior Bonds which shall have become due (other than Senior Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of the 2025A Senior Indenture), whether at maturity or by proceedings for redemption or otherwise or upon the tender of any Senior Bond pursuant to the terms of the Supplemental Indenture providing for the issuance of such Senior Bond, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Senior Bonds of such Series due on any date, then to the payment thereof ratably, according to the principal amounts due on such date, to the Bondholders entitled thereto, without any discrimination or preference;

<u>Third</u>: To the payment of all installments of interest then due on any Subordinate Bonds with interest on such overdue interest at a rate of interest borne thereby, and, if the amount available shall not be sufficient to pay in full any particular installment together with such interest, then to the ratable payment of the amount due on such installment; and

<u>Fourth</u>: To the payment of the unpaid principal of any Subordinate Bonds and, if the amount available shall not be sufficient to pay in full Subordinate Bonds due on any particular date, then to the ratable payment of the amounts due on such date.

- (b) If the principal of all Outstanding Bonds shall have become due and payable, all such moneys shall be applied (i) <u>first</u>, to the payment of the principal, premium, if any, and interest then due and unpaid upon the Senior Bonds with interest on such overdue amounts, without preference or priority as between principal, premium, if any, or interest on such Senior Bonds, ratably according to the amounts due respectively for principal, premium, if any, and interest to the Persons entitled thereto; and (ii) <u>second</u>, to the payment of the principal, premium, if any, and interest then due and unpaid upon any Subordinate Bonds with interest on such overdue amounts at the rate of interest borne thereby, without preference or priority as between principal, premium, if any, or interest on such Subordinate Bonds, ratably, according to the amounts due respectively for principal, premium, if any, and interest to the Persons entitled thereto.
- (c) Any payment or distribution of assets of the Issuer of any kind or character, whether in cash, instruments, securities or other property, by set-off or otherwise, to which any owner of a Subordinate Bonds would be entitled but for the provisions hereof, shall be paid by the Issuer or by any receiver, trustee in bankruptcy, liquidating trustee, agency or other person making such payment or distribution, directly to the Trustee for payment to the Bondholders of the Senior Bonds, to the extent necessary to pay all amounts then due and payable on such Senior Bonds in full, in cash, before any payment or distribution is made in respect of the Subordinate Bonds. In the event that any payment or distribution of assets of the Issuer of any kind or character, whether in cash, instruments, securities or other property, shall be received by any owner of Subordinate Bonds in respect of any Subordinate Bonds, as applicable, from any source, directly or indirectly, such

payment or distribution shall be held in trust for the benefit of, and shall be immediately paid over and delivered to, the Trustee for payment to the Bondholders of the Senior Bonds, to the extent necessary to pay all amounts then due and payable to such Bondholders of the Senior Bonds.

- (d) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine in accordance with the Master Indenture, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix a Special Record Date in accordance with the Master Indenture (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such Special Record Date interest on the principal amounts to be paid on such Special Record Date shall cease to accrue if so paid. The Trustee shall give such notice as it may deem appropriate in accordance with the Master Indenture of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Bondholder of any Senior Bond until such Senior Bond shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.
- (e) Whenever all installments of interest then due on the Senior Bonds and all unpaid principal amounts of any Senior Bonds that shall have become due have been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid, the Trustee shall resume making the transfers from the Senior Bonds Revenue Fund in the amounts and according to the priority set forth in the 2025A Senior Indenture. If all Senior Bonds and the interest thereon have been paid in full, together with all expenses and charges of the Trustee, any balance remaining shall be paid as otherwise required by Article IV hereof, and if not so required, to the Issuer or as a court of competent jurisdiction may direct.

Bankruptcy Proceedings. The Trustee is hereby authorized and directed, on behalf of the Bondholders of the 2025A Senior Bonds, to file a proof or proofs of claim in any bankruptcy, receivership or other insolvency proceeding involving the Issuer or any of the Sterling Rnach Districts. With respect to any matter in any such proceeding which requires the vote of any claimant, the Trustee is hereby authorized and directed to vote on behalf and in the name of the Bondholders of all Senior Bonds outstanding under the 2025A Senior Indenture in the manner designated by the Majority Interest.

## **Amendments and Supplements**

Amendments and Supplements to Master Indenture and any Supplemental Indenture without Owners' Consent. The Master Indenture and any Supplemental Indenture may be amended or supplemented at any time and from time to time, without the consent of the Owners or Other Beneficiaries, by a Supplemental Indenture between the Issuer and the Trustee, for one or more of the following purposes:

- (a) to add additional covenants of the Issuer or to surrender any right or power in the Master Indenture conferred upon the Issuer;
  - (b) to cure any ambiguity or formal defect or omission therein;
- (c) for any purpose not inconsistent with the terms of the Master Indenture or a Supplemental Indenture, as the case may be, or to cure any ambiguity or to correct or supplement any provision contained therein or in any Supplemental Indenture which may be defective or inconsistent with any other provision contained in the Master Indenture or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Master Indenture or a Supplemental Indenture which shall not be inconsistent with the provisions of the Master Indenture or the Supplemental Indenture, as the case may be, and which shall not materially adversely affect the interests of the Owners, including the appointment and duties of a Co-Paying Agent, Bond Registrar or Authenticating Agent;
- (d) to modify, eliminate or add to the provisions of the Master Indenture or a Supplemental Indenture, as the case may be, to such extent as shall be necessary to effect the qualification of the Master Indenture or such Supplemental Indenture under the Trust Indenture Act of 1939 or under any similar federal statute thereafter enacted, and to add to the Master Indenture or such Supplemental Indenture such other provisions as may be expressly permitted by the Trust Indenture Act of 1939, as from time to time amended;
- (e) to provide details in connection with the issuance of any Series of Bonds under the Master Indenture;
- (f) to modify, eliminate or add to the provisions of the Master Indenture or a Supplemental Indenture to such extent as shall be necessary to maintain any then-existing rating on any 2025A Senior Bonds;
- (g) to grant to or confer or impose upon the Trustee for the benefit of the Owners of the 2025A Senior Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Master Indenture or a Supplemental Indenture as theretofore in effect;
- (h) to permit the appointment of a Co-Trustee under the Master Indenture or a Supplemental Indenture;
- (i) to modify, alter, supplement or amend the Master Indenture or a Supplemental Indenture to comply with changes in the Code affecting the status of interest on the Tax-Exempt Bonds as excluded from gross income for federal income tax purposes or the obligations of the Issuer in respect of Section 148 of the Code;
- (j) to make any amendments appropriate or necessary to provide for any insurance policy, irrevocable transferable letter of credit, guaranty, surety bond, line of credit, revolving credit agreement or other agreement or security device delivered to the

Trustee and providing for (i) payment of the principal, interest and redemption premium on any Series of Bonds or any portion thereof; (ii) payment of the purchase price of any Series of Bonds; or (iii) both clauses (i) and (ii);

- (k) to remove the Trustee in accordance with the Master Indenture;
- (l) to add requirements the compliance with which are required by a Rating Agency in connection with issuing a rating with respect to any Series of Bonds;
- (m) to accommodate the technical, operational and structural features of any Series of Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate bond anticipation notes, commercial paper, Hedge Facilities, Short-Term/Demand Obligations and other variable rate or adjustable rate Bonds, Capital Appreciation Bonds and other discounted or compound interest Bonds or other forms of indebtedness which the Issuer from time to time deems appropriate to incur;
- (n) to accommodate the use of a Credit Facility for any 2025A Senior Bonds or a specific Series of Bonds; provided that the use of such Credit Facility does not materially adversely affect the interests of the Owners of any other Obligations secured under the Master Indenture:
- (o) to confirm to the Trustee amounts pledged under each Supplemental Indenture as Pledged Revenues pursuant to such Supplemental Indenture;
- (p) to make other changes permitted or required by the Master Indenture or a Supplemental Indenture; and
- (q) to modify, alter, amend or supplement the Master Indenture or a Supplemental Indenture in any other respect which is not materially adverse to the Owners of any other Obligations secured under the Master Indenture or a Supplemental Indenture.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to the above provisions, there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by law and is authorized under the Master Indenture, that such Supplemental Indenture will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not adversely affect the exclusion from gross income of the interest on the 2025A Senior Bonds for federal income tax purposes.

Amendments and Supplements to Master Indenture and any Supplemental Indenture with Owners' Consent. Other than amendments permitted under " - Amendments and Supplements to Master Indenture and any Supplemental Indenture without Owners' Consent' above, the Master Indenture may only be amended by a Supplemental Indenture approved by the unanimous written consent of all Owners affected thereby, as determined by the Issuer. Other than amendments permitted under " - Amendments and Supplements to Master Indenture and any Supplemental Indenture without Owners' Consent" above, a Supplemental Indenture may be amended from time to time by an amendment to such Supplemental Indenture approved by at least

51% of the Outstanding principal amount of the 2025A Senior Bonds issued thereunder, provided that (a) no amendment shall be made that adversely affects one or more but less than all of the 2025A Senior Bonds issued under such Supplemental Indenture without the consent of at least 50% of the Outstanding principal amount of the 2025A Senior Bonds so affected, and (b) except as may otherwise be provided in such Supplemental Indenture, no such amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond issued under such Supplemental Indenture or the interest rate thereon, or any installment of interest thereon, or a reduction in the principal amount or redemption price thereof, without the consent of the owner of the Bond issued under such Supplemental Indenture.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to the above provisions, there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by law and is authorized under the Master Indenture, that such Supplemental Indenture will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not adversely affect the exclusion from gross income of interest on the 2025A Senior Bonds for federal income tax purposes.

### **BOND INSURANCE – 2025A SENIOR BONDS**

[to be added upon receipt of insurance]

## THE 2025B SUBORDINATE BONDS

Although a single Official Statement is being used in connection with the offer and sale of the 2025A Senior Bonds and the 2025B Subordinate Bonds, the 2025A Senior Bonds are secured solely by the 2025A Senior Indenture and the 2025B Subordinate Bonds are secured solely by the 2025B Subordinate Indenture. Further, each series of Bonds is secured by separately defined pledged revenues. The 2025A Senior Bonds are secured solely by the Senior Bonds Pledged Revenue (in addition to the 2025A Senior Bond Insurance Policy), and the 2025B

Subordinate Bonds are secured solely by the Subordinate Bonds Pledged Revenue. Accordingly, the use of a single Official Statement does not imply that 2025A Owners and the 2025B Owners are secured by the same revenue sources, insurance policies, funds or covenants. 2025A Owners and 2025B Owners are afforded different rights under the 2025A Senior Indenture and the 2025B Subordinate Indenture, respectively. Potential purchasers of each series of Bonds are cautioned to carefully review the provisions below and throughout this Official Statement describing the Indentures to the specific series of Bonds to be purchased.

#### General

The 2025B Subordinate Bonds are limited tax supported obligations of the Issuer payable from the Subordinate Bonds Pledged Revenues as provided in the 2025B Subordinate Indenture. The maturity date and interest rate for the 2025B Subordinate Bonds are set forth on the inside cover page hereof. For a complete statement of the details and conditions of the 2025B Subordinate Bonds, reference is made to the 2025B Subordinate Indenture, a copy of which is available from the Underwriter prior to delivery of the 2025B Subordinate Bonds. Portions of the 2025B Subordinate Indenture is described in "THE 2025B SUBORDINATE BONDS," "SECURITY FOR THE 2025B SUBORDINATE BONDS", Appendix C. Capitalized terms not otherwise defined below are defined in Appendix C.

# No Regularly Scheduled Payments on the 2025B Subordinate Bonds

In addition to being subordinate obligations, the 2025B Subordinate Bonds are structured as "cash flow" bonds, meaning that (a) there are not regularly scheduled payments of principal prior to maturity and principal on the 2025B Subordinate Bonds is payable on December 15 from, and only to the extent of, Subordinate Bonds Pledged Revenue available therefor, if any, in accordance with the terms of the 2025B Subordinate Indenture, pursuant to a special mandatory redemption more particularly described in "THE 2025B SUBORDINATE BONDS - Prior Redemption - Special Mandatory Redemption" and "Funds and Accounts - Subordinate Bonds Fund" and "SECURITY FOR THE 2025B SUBORDINATE BONDS – Flow of Funds" and (b) interest on the 2025B Subordinate Bonds is payable on each December 15, but only from and to the extent of, Subordinate Bonds Pledged Revenue available therefor. Unpaid interest will accrue and compound annually on each 2025B Interest Payment Date at the rate then borne by the 2025B Subordinate Bonds until sufficient Subordinate Bonds Pledged Revenue is available for payment. The failure to pay interest each December 15 is not, of itself, a 2025B Event of Default under the 2025B Subordinate Indenture. The failure to pay principal on any special mandatory redemption date or upon the maturity date also is not, of itself, a 2025B Event of Default under the 2025B Subordinate Indenture. See "SECURITY FOR THE 2025B SUBORDINATE BONDS – 2025B Events of Default and Remedies." If, however, Subordinate Bonds Pledged Revenue is available on a special mandatory redemption date, then all such revenue must be applied first to pay interest due on the 2025B Subordinate Bonds and then to pay all or a portion of the principal amount of the 2025B Subordinate Bonds, and such 2025B Subordinate Bonds will be subject to mandatory redemption on that date in advance of their maturity date.

## **Authorized Denominations**

The 2025B Subordinate Bonds are being issued in "Authorized Denominations," defined in the 2025B Subordinate Indenture to mean \$500,000 and any integral multiple of \$1,000 in excess thereof; provided that in the event a 2025B Subordinate Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such 2025B Subordinate Bond may be issued or remain Outstanding in the largest possible denomination of less than \$500,000, in integral multiples of \$1,000.

### Payment of Principal and Interest; Record Date

The principal of and premium, if any, on the 2025B Subordinate Bonds shall be payable by check in lawful money of the United States of America at the principal corporate trust operations office of the Trustee in Denver, Colorado or at the principal office of its successor in trust upon presentation and surrender of the 2025B Subordinate Bonds.

To the extent principal of any 2025B Subordinate Bond is not paid when due in accordance with the 2025B Subordinate Indenture, including, without limitation at the stated Maturity thereof, such principal shall remain outstanding until the earlier of the (i) date it is paid and no longer Outstanding, and (ii) 2025B Discharge Date. To the extent interest on any 2025B Subordinate Bond is not paid on any Interest Payment Date such interest shall compound annually on each December 15 at the rate then borne by such 2025B Subordinate Bond. Notwithstanding anything in the 2025B Subordinate Indenture to the contrary, the Issuer shall not be obligated to pay more than the amount permitted by law and the electoral authorization (including the 2013 Election) in repayment of the 2025B Subordinate Bonds, including all payments of principal, premium, if any, and interest.

Interest on any 2025B Subordinate Bonds shall be paid on the Interest Payment Date to the Person whose name appears on the bond registration books of the Trustee as the Bondholder thereof as of the close of business on the Regular Record Date for each Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Bondholder on such Regular Record Date and shall be paid to the Person in whose name the 2025B Subordinate Bond is registered at the close of business on a Special Record Date for the payment of such unpaid interest to be fixed by the Trustee, notice whereof being given by first-class mail to the Bondholders not less than 10 days prior to such Special Record Date.

In the event the 2025B Subordinate Bonds are in book-entry only form, principal and interest shall be paid to the Securities Depository by federal funds wire transfer to a designated account within the United States of America, all as provided for in the rules and regulations of the Securities Depository.

The 2025B Subordinate Indenture provides that 2025B Subordinate Bonds shall initially be in book-entry only form. In the event the 2025B Subordinate Bonds are no longer in book-entry only form, interest will be paid (i) by federal funds wire transfer by the Trustee to any account within the continental United States upon written instruction of the Bondholder of at least \$1,000,000 in principal amount of the 2025B Subordinate Bonds submitted to the Trustee at least one Business Day prior to the Regular Record Date, (ii) by check or draft mailed on the Interest

Payment Date by the paying agent to the Bondholder at its address as it last appears on the registration records kept by the Trustee at the close of business on the Regular Record Date for such Interest Payment Date or (iii) by such other customary banking arrangement acceptable to the Trustee at the request of and at the risk and expense of the Bondholder.

If the specified date for payment of principal or interest is other than a Business Day, payment shall be made on the next succeeding Business Day with the same force and effect as if made on the date specified for such payment, without additional interest.

All payments on the 2025B Subordinate Bonds shall be made in lawful money of the United States of America, which on the respective dates of payment thereof is legal tender for the payment of public and private debt. CUSIP number identification shall accompany all payments of principal, premium, if any, and interest whether by check or by wire transfer.

The Master Indenture provides that the Trustee shall perform the functions of paying agent and authenticating registrar with respect to the 2025B Subordinate Bonds.

## **Prior Redemption**

Optional Redemption. The optional redemption provisions of the 2025B Subordinate Indenture will be provided in the final Official Statement.

Special Mandatory Redemption. On each December 15, the 2025B Subordinate Bonds shall be subject to mandatory redemption in part in the maximum amount that is able to be redeemed (in integral multiples of \$1,000) from moneys on deposit in the Subordinate Bonds Fund on such date at a redemption price equal to the principal amount of the 2025B Subordinate Bonds so redeemed plus accrued interest thereon to the redemption date, and with no redemption premium. Notice of such special mandatory redemption shall be provided by the Trustee pursuant to the Master Indenture; provided, however, that because on the date of such redemption notice from the Trustee the amount of moneys required for such redemption will not be on deposit in the Subordinate Bonds Fund, the notice given by the Trustee may state the principal amount expected to be redeemed on such date, and accordingly, the actual principal amount of the 2025B Subordinate Bonds redeemed may vary from the amount set forth in such redemption notice.

Redemption Procedure and Notice. Whenever provision is made in the 2025B Subordinate Indenture for the redemption by the Issuer of less than all of the 2025B Subordinate Bonds, the Trustee shall select the 2025B Subordinate Bonds to be redeemed, in Authorized Denominations, by lot, in any manner which the Trustee in its sole discretion shall deem appropriate and fair. With respect to a 2025B Subordinate Bond that is of a denomination larger than the minimum Authorized Denomination of 2025B Subordinate Bonds, a portion of such 2025B Subordinate Bond which would constitute an Authorized Denomination may be redeemed. The Trustee shall promptly notify the Issuer in writing of any redemption of the 2025B Subordinate Bonds or portions thereof so selected for redemption. The selection of 2025B Subordinate Bonds shall be at such time as determined by the Trustee.

Notice of redemption by the Issuer shall, except as otherwise provided in the 2025B Subordinate Indenture, be given by Electronic Means or mailed by first-class mail by the Trustee,

not less than 30 nor more than 60 days prior to the date fixed for redemption or purchase, to the Rating Agencies, if any, then rating the 2025B Subordinate Bonds, and the respective Bondholders of the 2025B Subordinate Bonds designated for redemption at their addresses appearing on the bond registration books of the Trustee.

Failure by the Trustee to give notice of redemption pursuant to the 2025B Subordinate Indenture by Electronic Means or via mail to the Rating Agencies, if any, then rating the 2025B Subordinate Bonds or to any one or more of the Owners of any designated for redemption shall not affect the sufficiency of the proceedings for redemption with respect to the Bondholder or Owners to whom such notice was given via Electronic Means or mailed.

Any notice given pursuant to this subsection may be rescinded by written notice given to the Trustee by the Issuer no later than 5 Business Days prior to the date specified for redemption. The Trustee shall give notice of such rescission, as soon thereafter as practicable, in the same manner, to the same persons, as notice of such redemption was given pursuant to this subsection.

### **Funds and Accounts**

The 2025B Subordinate Indenture creates and establishes the following funds and accounts, which are established with the Trustee and maintained by the Trustee in accordance with the provisions of the 2025B Subordinate Indenture: (a) the Subordinate Bonds Revenue Fund; (b) the Subordinate Bond Fund; and (c) the Rebate Fund.

### Subordinate Bond Fund.

- (a) Moneys deposited from time to time in the Subordinate Bonds Fund shall be applied by the Trustee to pay principal of and interest on all Subordinate Bonds Outstanding. The Trustee may create accounts and subaccounts in the Subordinate Bonds Fund for the payment of principal and interest.
- (b) Moneys deposited in the Subordinate Bonds Fund from sources other than investment earnings on any account created therein shall be spent within a 13-month period beginning on the date of deposit, and any amount received from the investment of money held in or transferred to any fund created or permitted in the 2025B Subordinate Indenture shall be spent within one year beginning on the date of receipt. For purposes of this provision, money deposited in any account or subaccount of the Subordinate Bonds Fund shall be deemed spent on a first-in, first-out basis.
- (c) When Subordinate Bonds are redeemed or purchased, the amount, if any, in the Subordinate Bonds Fund representing interest thereon shall be applied to the payment of accrued and compounded interest in connection with such redemption or purchase. Whenever the amount in the Subordinate Bonds Fund is sufficient to redeem all of the Outstanding Subordinate Bonds of the applicable Series and to pay interest accrued to the redemption date, the Issuer will cause the Trustee to redeem all such Subordinate Bonds on the applicable redemption date specified by the Issuer. Any amounts remaining in the Subordinate Bonds Fund after payment in full of the principal or redemption price,

premium, if any, and interest on the Subordinate Bonds (or provision for payment thereof) and the fees, charges and expenses of the Issuer, the Trustee and any paying agents, shall be paid to the Subordinate Bonds Revenue Fund.

Rebate Fund. This section of the 2025B Subordinate Indenture shall apply separately to each issue of Subordinate Bonds which are Tax-Exempt Bonds. Within 60 days after each Calculation Date and not later than 60 days after the redemption of the last Subordinate Bonds which are Tax-Exempt Bond, the Issuer shall compute the Excess Investment Earnings for the year just completed and shall direct the Trustee to, in accordance with the 2025B Subordinate Indenture, transfer from the Subordinate Bonds Revenue Fund to the Rebate Fund an amount equal to the amount so computed. If the amount so computed is a negative number, said amount may be withdrawn from the Rebate Fund and deposited in the Subordinate Bonds Revenue Fund. All amounts in the Rebate Fund, including income earned from the investment of such amounts, shall be held by the Trustee free and clear of the liens described in the 2025B Supplemental Indenture. The Trustee shall pay over to the United States of America, not later than 60 days after the fifth anniversary of the date of issuance of each Series of Subordinate Bonds which are Tax-Exempt Bonds and at least every five years thereafter until the final redemption of the last Subordinate Bond, an amount equal to 90% of the net aggregate amount transferred to or earned in the Rebate Fund during such period and not theretofore paid to the United States of America and, not later than 60 days after the redemption of each Series of Subordinate Bonds which are Tax-Exempt Bond, 100% of the aggregate amount in the Rebate Fund. Notwithstanding the provisions of this section of the 2025B Subordinate Indenture, the Trustee shall at all times maintain and administer the Rebate Fund in conformity with all applicable federal statutes and regulations as the same may be amended from time to time.

## **Book-Entry Only System**

The 2025B Subordinate Bonds will be available only in book-entry form in the principal amount of not less than \$500,000 and any integral multiple of \$1,000 in excess thereof. DTC will act as the initial securities depository for the 2025B Subordinate Bonds. The ownership of one fully registered 2025B Subordinate Bond for each maturity, as set forth on the inside cover page of this Official Statement, in the aggregate principal amount of such maturity coming due thereon, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix B – Book-Entry Only System.

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED 2025B OWNER OF THE 2025B SUBORDINATE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED 2025B OWNERS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL 2025B OWNERS.

Neither the Issuer, the District, nor the Trustee will have any responsibility or obligation to DTC's Direct Participants or Indirect Participants (defined in Appendix B), 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 2025B Subordinate Bonds as further described in Appendix B to this Official Statement.

#### **SECURITY FOR THE 2025B SUBORDINATE BONDS**

The 2025B Subordinate Indenture secures solely the 2025B Subordinate Bonds, and the covenants made by the Issuer in the 2025B Subordinate Indenture are solely for the benefit of the 2025B Owners. The 2025A Senior Bonds are not secured by, and have no right to enforce any provision of, the 2025B Subordinate Indenture. For capitalized terms not defined in this section, see Appendix C.

# **Subordinate Limited Tax Supported Obligations**

The Subordinate Bonds Pledged Revenue for the 2025B Subordinate Bonds is subordinate to the revenue pledged to the 2025A Senior Bonds and any Parity Senior Bonds issued in the future.

The 2025B Subordinate Bonds constitute limited tax supported obligations of the District payable from the Subordinate Bonds Pledged Revenues as provided in the 2025B Subordinate Indenture. Principal of the 2025B 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 Bonds Pledged Revenue, including all moneys and earnings thereon held in the funds and accounts created in the 2025B Subordinate Indenture, and the Subordinate Bonds Pledged Revenue is pledged to the payment of the 2025B Subordinate Bonds. *The 2025B Subordinate Bonds are not obligations of the County or the State*.

The 2025B Subordinate Bonds constitute an irrevocable lien upon the Subordinate Bonds Pledged Revenue, but not necessarily an exclusive such lien. The 2025B Subordinate Bonds are secured by a lien on the Subordinate Bonds Pledged Revenue on parity with the lien thereon of any Parity Subordinate Bonds issued in the future. See "RISK FACTORS – Limited Security for the 2025B Subordinate Bonds" and "– Risks Related to Property Tax Revenues."

The 2025B Subordinate Bonds are not secured directly by any lien on property located within the District; rather they are secured by the Issuer's covenant to certify to the Board of County Commissioners of the County the District No. 2 Subordinate Required Mill Levy. The District No. 2 Subordinate Required Mill Levy creates a statutory tax lien which may be enforced to the extent that taxes are delinquent in a given year.

# **2025B Discharge Date**

The 2025B Subordinate Indenture provides that notwithstanding any other provision in the 2025B Subordinate Indenture, in the event that any amount of principal of or interest on the 2025B Subordinate Bonds remains unpaid after the application of all District No. 2 Subordinate Pledged Revenues available therefor on the 2025B Discharge Date, the 2025B Subordinate Bonds and the lien of the 2025B Subordinate Indenture securing payment thereof shall be deemed discharged, the estate and rights thereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel and discharge the lien of the 2025B 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 Owners will have no recourse to the Issuer or District No. 2 or

any property of the Issuer of District No. 2 for the payment of any amount of principal of or interest on the 2025B Subordinate Bonds remaining unpaid.

## **Subordinate Bonds Pledged Revenues**

The Subordinate Bonds Pledged Revenues is generally defined in the 2025B Subordinate Indenture to mean the moneys derived by the Issuer from the following sources, net of any costs of collection: (a) the District No. 2 Subordinate Required Mill Levy Revenue; (b) Subordinate Specific Ownership Taxes; and (c) any other legally available amounts that the Issuer may designate to be paid to the Trustee for deposit into the Subordinate Bonds Fund or otherwise held under the 2025B Subordinate Indenture.

## District No. 2 Subordinate Required Mill Levy Revenue

<u>District No. 2 Subordinate Required Mill Levy Revenue</u>. In accordance with the 2025B Subordinate Indenture, the District No. 2 Subordinate Required Mill Levy Revenue means revenues generated from the imposition by the District of the District No. 2 Subordinate Required Mill Levy, net of collection costs; provided, however, that the District No. 2 Subordinate Required Mill Levy Revenue does not include Subordinate Specific Ownership Taxes.

<u>District No. 2 Subordinate Required Mill Levy</u>. Pursuant to the 2025B Subordinate Indenture, the District No. 2 Subordinate Required Mill Levy is defined as an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed by District No. 2 pursuant to the District No. 2 Pledge Agreement upon all taxable property within its boundaries each year in the following amount:

- (c) subject to adjustment as provided in paragraph (b) below (i) 50 mills, less the amount of the District No. 2 Senior Required Mill Levy, or (ii) such lesser mill levy which, when combined with other Subordinate Bonds Pledged Revenue legally available in the Subordinate Bonds Fund, will permit the Subordinate Bonds Fund to be fully funded for the next Bond Year and pay all of the principal and interest on the Subordinate Bonds in full;
- (d) provided, however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2013, the levy cap of 50 mills will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Issuer 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
- (c) provided, further, however, notwithstanding anything in the 2025B Subordinate Indenture to the contrary, in no event may the District No. 2 Subordinate Required Mill Levy be established at a mill levy amount which would cause District No. 2 to derive tax revenue in any year in excess of the maximum tax increases permitted by its electoral authorization, and if the District No. 2 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 District No. 2's electoral authorization, the District No. 2 Subordinate Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

The assessed value and actual value of certain subclasses of residential and non-residential property were reduced in accordance with SB 24-233 and HB 24B-1001 (each as defined herein). See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes." For additional information on the SB 24-233, HB 24B-1001 and the calculation of actual and assessed valuation generally, see "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes."

## **Specific Ownership Taxes**

Subordinate Specific Ownership Taxes are defined in the 2025B Subordinate Indenture to mean the specific ownership taxes remitted pursuant to Section 42-3-1107, C.R.S., or any successor statute, as a result of imposition by District No. 2 of the District No. 2 Subordinate Required Mill Levy, net of any costs of collection.

Additional information regarding the specific ownership tax is provided in "SECURITY FOR THE 2025A SENIOR BONDS – Specific Ownership Taxes." Specific ownership taxes received by the District as a result of the District No. 2 Senior Required Mill Levy secure only the 2025A Senior Bonds and do not secure the 2025B Subordinate Bonds.

# **Pledge Agreement**

Pursuant to the Pledge Agreement, the District has agreed, among other things to: (a) permit the issuance of the Taxing District Debt Obligations (as defined in the Pledge Agreement), which include 2025B Subordinate Bonds, by the Issuer; (b) pay as much of the Annual Obligations Costs (as defined in the Pledge Agreement, which includes the debt service on the Bonds) as may be funded with the Pledged Revenues (defined as the aggregate of the revenue derived from the Required Mill Levy (as defined in the Pledge Agreement but generally meaning the mill levies required by the Indentures and the instruments authorizing any additional Taxing District Debt Obligations)), and any Specific Ownership Taxes related to the Required Mill Levy, and to pledge the Pledged Revenues to the payment of the Annual Obligation Costs; (c) impose the Required Mill Levy for so long as Taxing District Debt Obligations (including the Bonds, and as defined in the Pledge Agreement) remain outstanding, in the amounts determined by the Issuer; and (d) remit all Pledged Revenues to the Trustee as soon as practicable upon receipt for further application in accordance with the Indentures.

Capitalized terms used under this subheading "- Pledge Agreement" have the meanings given to such terms in the Pledge Agreement unless otherwise indicated. See Appendix C.

Funding of Debt Obligations Costs Generally under Pledge Agreement. Pursuant to the Pledge Agreement, the Issuer and District No. 2 have agreed as follows:

- (a) The Issuer has issued the Bonds and shall issue from time to time other District No. 2 Debt Obligations as necessary to finance or refinance and construct the Public Improvements in accordance with the Service Plan and the Establishment Agreement. In exchange for the purchase by the Owners of District No. 2 Debt Obligations (which includes the Bonds), the proceeds of which are to be applied to the provision of the Public Improvements (or the refinancing thereof) in accordance with the Indentures and the other Financing Documents, District No. 2 agrees to pay as much of the Annual Obligations Costs as may be funded with the Pledged Revenues available to District No. 2 from the Required Mill Levy Revenue and Specific Ownership Taxes, in accordance with the provisions of the Pledge Agreement.
- (b) The obligation of District No. 2 to levy, collect and remit to the Trustee and to other parties in accordance with the Financing Documents, the Required Mill Levy Revenue as provided in the Pledge Agreement shall constitute a limited tax general obligation (convertible to unlimited tax unless otherwise limited by the Financing Documents) of District No. 2 subject to the limitations set forth in the Pledge Agreement. The obligations of District No. 2 to impose, collect, and remit to the Trustee, and to other parties in accordance with the Financing Documents, the Specific Ownership Taxes shall constitute a special, limited obligation of District No. 2 payable solely from and to the extent of such Specific Ownership Taxes.
- (c) The Pledged Revenues are pledged by District No. 2 pursuant to the Pledge Agreement to the Issuer, for the benefit of the Owners, for the payment of the Annual Obligations Costs in accordance with the provisions thereof. The Payment Obligation (i.e., the obligation of District No. 2 to pay the Annual Obligation Costs in accordance with the provisions of the Pledge Agreement, but solely from and to the extent of the Pledged Revenues) shall constitute an irrevocable lien upon the Pledged Revenues of District No. 2. District No. 2 has elected under the Pledge Agreement to apply all of the provisions of the Supplemental Act to the Pledge Agreement and the Payment Obligation, except that, in accordance with Section 11-57-204(1), C.R.S., the 40 year limitation set forth in Section 11-57-207(1)(a), C.R.S., shall not apply to the obligations of District No. 2 under the Pledge Agreement.
- (d) In no event shall the total or annual obligations of District No. 2 under the Pledge Agreement exceed the maximum amounts permitted under its Service Plan, its electoral authority, and any other applicable law. The entire Payment Obligation with respect to District No. 2 will be deemed defeased upon the earlier of (i) the Termination Date (generally meaning the date on which all Debt Obligations permitted to be issued by the Issuer have been defeased pursuant to the Bond Documents), or (ii) payment by District No. 2 of such amount.
- (e) Because the actual total District Pledged Revenue payable by District No. 2 under the Pledge Agreement cannot be determined with any certainty at the time of the execution of the Pledge Agreement, the District is not permitted to pre-pay any amounts due under the Pledge Agreement.

<u>Imposition of Required Mill Levy</u>. Pursuant to the Pledge Agreement, the Issuer and District No. 2 covenant as follows:

- (a) In order to fund the Payment Obligation, District No. 2 agrees in the Pledge Agreement to levy on all property subject to taxation by District No. 2, in addition to all other taxes, direct annual taxes in 2020, and in each year thereafter so long as any District No. 2 Debt Obligations remain outstanding, in the amount of the Required Mill Levy, as determined by the Issuer. Nothing in the Pledge Agreement shall be construed to require District No. 2 to impose an ad valorem property tax levy for the payment of the Payment Obligation in excess of the Required Mill Levy or after the Termination Date. It is acknowledged in the Pledge Agreement by District No. 2 that the Issuer is required, in accordance with the Indentures, to determine the ad valorem property tax levy to be imposed by District No. 2 thereunder in accordance with the terms of the Indentures and other Financing Documents (subject to the limitations of the Pledge Agreement, including the limitations of the Required Mill Levy definitions set forth therein).
- (b) In order to facilitate the determination of the Required Mill Levy by the Issuer, District No. 2 shall provide to the Issuer (i) on or before September 30 of each year, commencing September 30, 2020, the preliminary certification of assessed value for District No. 2 provided by the Douglas County Assessor; and (ii) no later than one business day after receipt by District No. 2, the Final Assessed Valuation for District No. 2 provided by the Douglas County Assessor (expected to be provided to District No. 2 no later than December 10 of each year). In accordance with the definition of Required Mill Levy set forth in the Pledge Agreement, the Issuer shall use such information to determine the Required Mill Levy for such calendar year. The Issuer shall preliminarily confirm the Required Mill Levy and provide the same to District No. 2 no later than October 1 of each year, and shall finally confirm the Required Mill Levy and provide the same to District No. 2 no later than December 10 of each year.
- (c) The Issuer shall promptly notify District No. 2 when the Debt to Assessed Ratio is 50% or less so that District No. 2 can, if required by the applicable Financing Documents, convert the Required Mill Levy to an amount without limitation.
- (d) District No. 2 acknowledges in the Pledge Agreement that it has actively participated in the development of the calculations for determining the Required Mill Levy, that such calculation is designed to relate to the benefit to District No. 2 of the Public Improvements financed by the District No. 2 Debt Obligations and that, so long as made in accordance with the definition of Required Mill Levy, the determinations of the Issuer as to the Required Mill Levy shall be final and binding upon District No. 2.
- (e) This subsection of the Pledge Agreement is declared to be the certificate of District No. 2 to the Board of County Commissioners of Douglas County indicating the aggregate amount of taxes to be levied for the purposes of paying the Payment Obligation due under the Pledge Agreement.
- (f) It shall be the duty of District No. 2 annually at the time and in the manner provided by law for the levying of District No. 2's taxes, if such action shall be

necessary to effectuate the provisions of the Pledge Agreement, to ratify and carry out the provisions thereof with reference to the levy and collection of the ad valorem property taxes specified in the Pledge Agreement, and to require the officers of District No. 2 to cause the appropriate officials of the County, to levy, extend and collect said ad valorem taxes in the manner provided by law for the purpose of providing funds for the payment of the amounts to be paid under the Pledge Agreement promptly as the same, respectively, become due. Said taxes, when collected, shall be applied only to the payment of the amounts to be paid under the Pledge Agreement in accordance with the provisions of the Pledge Agreement.

- (g) Pursuant to the Pledge Agreement, the Required Mill Levy shall be levied, assessed, collected, and enforced at the time and in the form and manner and with like interest and penalties as other general taxes in the State.
- (h) Pursuant to the Pledge Agreement, District No. 2 shall pursue all reasonable remedies to collect, or cause the collection of, delinquent Required Mill Levy Revenue within its boundaries.

Payment and Application of District Pledged Revenues. Pursuant to the Pledge Agreement, District No. 2 has agreed to remit to the Trustee and/or any other entity designated by the Issuer pursuant to the Indentures and the other applicable Financing Documents, as soon as practicable upon receipt, all revenues comprising the Pledged Revenues, which Pledged Revenues shall be applied by the Trustee and such other parties to pay Annual Obligations Costs, in accordance with the Indentures and any other applicable Financing Documents. Such Pledged Revenues shall be paid by District No. 2 in lawful money of the United States of America by check mailed or delivered, or by wire transfer, to the Trustee, and such other appropriate parties pursuant to the other Financing Documents or such other method as may be mutually agreed to by the Issuer, the Trustee, and such other appropriate parties pursuant to the other Financing Documents. To the extent that excess revenues are released to the Issuer pursuant to the provisions of the Indentures or other applicable Financing Documents, the Issuer agrees to apply the same to the construction and acquisition of Public Improvements or repayment of the Issuer's obligations incurred to construct or acquire such Public Improvements, as permitted by law, the 2013 Election, and any applicable agreements pertaining to such revenues.

Effectuation of Pledge of Security, Current Appropriation. The sums required to by paid by District No. 2 pursuant to the Pledge Agreement to pay the amounts due under the Pledge Agreement are appropriated pursuant to the Pledge Agreement for that purpose, and said amounts for each year are required by the Pledge Agreement to be included in the annual budget and the appropriation resolution or measures to be adopted or passed by the District No. 2 Board in each year while any of the Payment Obligations authorized by the Pledge Agreement are outstanding and unpaid. No provisions of any constitution, statute, resolution or other order or measure enacted after the execution of the Pledge Agreement shall in any manner be construed as limiting or impairing the obligation of District No. 2 to levy, administer, enforce and collect the ad valorem property taxes as provided in the Pledge Agreement for the payment of the Payment Obligations.

Furthermore, District No. 2 acknowledges in the Pledge Agreement that third parties may provide financial commitments and additional security for the District No. 2 Debt Obligations and, as a result, shall be entitled to rely on the payment obligations of District No. 2 to the Issuer contained in the Pledge Agreement. Accordingly, it is acknowledged by District No. 2 in the Pledge Agreement that the purpose of this section of the Pledge Agreement is to ensure that the Trustee, on behalf of the Owners, receives all payments due under the Pledge Agreement in a timely manner in order to pay the District No. 2 Debt Obligations Costs for the benefit of the Owners and such third parties.

In addition, and without limiting the generality of the foregoing, the obligations of District No. 2 to transfer funds to the Trustee for each payment described under the Pledge Agreement shall survive any court determination of the invalidity of the Pledge Agreement as a result of a failure, or alleged failure, of any of the directors of District No. 2 to properly disclose, pursuant to State law, any potential conflicts of interest related to the Pledge Agreement in any way, provided that such disclosure is made on the record of District No. 2's meetings as set forth in their official minutes.

Limited Defenses; Specific Performance. It is understood and agreed by District No. 2 in the Pledge Agreement that its obligations thereunder are absolute, irrevocable, and unconditional except as specifically stated therein, and so long as any obligation of District No. 2 thereunder remains unfulfilled, District No. 2 has agreed that notwithstanding any fact, circumstance, dispute, or any other matter, it will not assert any rights of setoff, counterclaim, estoppel, or other defenses to its payment obligations, or take or fail to take any action which would delay a payment to the Issuer or the Trustee or impair the Issuer's ability to receive payments due thereunder. Notwithstanding that the Pledge Agreement specifically prohibits and limits defenses and claims of District No. 2, in the event District No. 2 believes that it has valid defenses, setoffs, counterclaims, or other claims other than specifically permitted by this paragraph, it shall, nevertheless, make all payments to the Trustee as described therein and then may attempt or seek to recover such payments by actions at law or in equity for damages or specific performance, respectively.

Additional Covenants under Pledge Agreement. District No. 2 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 its Payment Obligation.

Without the prior written consent of the Issuer and for so long as an Indenture or Indentures preventing such issuance remains in effect, District No. 2 will not issue or incur bonds, notes, or other obligations payable in whole or in part from, or constituting a lien upon, the general ad valorem taxes of District No. 2 (other than general ad valorem taxes imposed for the purpose of funding operation, maintenance and administrative costs, provided that such taxes are not imposed in excess of the amount permitted under its Service Plan after first taking into account the imposition of the Required Mill Levy) or other Pledged Revenues, other than obligations subject to annual appropriation which are payable on a basis subordinate to the Payment Obligation.

The Issuer shall keep and maintain, or cause to be kept and maintained, accurate records and accounting entries reflecting all funds received from District No. 2 and the use(s) of

such funds, including monthly unaudited financial statements reflecting the information contained in the accounting records.

At least once a year in the time and manner provided by law, each of District No. 2 and the Issuer will cause an audit to be performed of the records relating to its revenues and expenditures. In addition, at least once a year in the time and manner provided by law, each of District No. 2 and the Issuer will cause a budget to be prepared and adopted. Copies of such budgets and audits will be filed and recorded in the places, time, and manner provided by law.

Events of Non-Compliance under Pledge Agreement. Pursuant to the Pledge Agreement, the occurrence or existence of any one or more of the following events shall be an "Event of Non-Compliance" under the Pledge Agreement, and there shall be no default or Event of Non-Compliance under the Pledge Agreement except as provided below:

- (a) District No. 2 fails or refuses to impose the Required Mill Levy or to remit the Pledged Revenues as required by the terms of the Pledge Agreement;
- (b) any representation or warranty made by any party in the Pledge Agreement proves to have been untrue or incomplete in any material respect when made and which untruth or incompletion would have a material adverse effect upon any other party;
- (c) any party to the Pledge Agreement fails in the performance of any other of its covenants in the Pledge Agreement, and such failure continues for 60 days after written notice specifying such default and requiring the same to be remedied is given to any of the parties thereto;
- (d) District No. 2 or the Issuer commences proceedings for dissolution during the term of the Pledge Agreement; or
- (i) District No. 2 shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or District No. 2 shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against District No. 2 any case, proceeding, or other action of a nature referred to in clause (i) and the same shall remain not dismissed within 90 days following the date of filing; or (iii) there shall be commenced against District No. 2 any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, or bonded pending appeal within 90 days from the entry thereof; or (iv) District No. 2 shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above;

or (v) District No. 2 shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due.

Remedies For Events of Non-Compliance under Pledge Agreement. Subject to certain limited defenses under the Pledge Agreement, upon the occurrence and continuance of an Event of Non-Compliance, any party to the Pledge Agreement may proceed to protect and enforce its rights against the party or parties causing the Event of Non-Compliance by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, including an action for specific performance. In the event of any litigation or other proceeding to enforce any of the terms, covenants or conditions of the Pledge Agreement, the prevailing party in such litigation or other proceeding shall obtain, as part of its judgment or award, its reasonable attorneys' fees and costs.

#### Flow of Funds

- (a) Pursuant to the 2025B Subordinate Indenture, the Issuer agrees to deposit or cause to be deposited all such Subordinate Bonds Pledged Revenues with the Trustee promptly upon its receipt thereof, and the Trustee shall deposit all such Subordinate Bonds Pledged Revenues into the Subordinate Bonds Revenue Fund.
- (b) At least ten days prior to each December 15, the Trustee shall make transfers from the Subordinate Bonds Revenue Fund to the following funds and accounts in the amounts and in the order of priority set forth below:

<u>first</u>, on each Calculation Date, to the Rebate Fund, in an amount equal to any deposits required to be made therein pursuant to the 2025B Subordinate Indenture;

second, to the Trustee to pay its fees and expenses as the same become due and payable;

third, to the Subordinate Bond Fund, an amount equal to interest which has accrued and compounded on the Outstanding 2025B Subordinate Bonds and any other Outstanding Subordinate Bonds in the current Bond Year; and

fourth, to the Subordinate Bond Fund, an amount equal to the amount of principal and premium, if any, due and payable on the 2025B Subordinate Bonds and any other Subordinate Bonds on the next succeeding December 15, and all remaining Subordinate Bonds Pledged Revenues then on deposit in the Subordinate Bonds Revenue Fund to the extent the same may be applied to the special mandatory redemption described under "THE 2025B SUBORDINATE BONDS – Prior Redemption – Special Mandatory Redemption" on the next succeeding December 15.

## Issuance of Additional Subordinate Obligations under the 2025B Subordinate Indenture

Pursuant to the 2025A Subordinate Indenture, the Issuer and the Trustee may from time to time, upon the conditions stated below, agree upon and approve the issuance and delivery of Additional Subordinate Bonds, secured by the 2025B Subordinate Indenture and the

Supplemental Indenture pursuant to which the Additional Subordinate Bonds are being issued, from the revenues and property pledged and appropriated under the 2025B Subordinate Indenture and thereunder on a parity or subordinate basis, but bearing such date or dates and interest rate or rates and with such redemption dates and premiums as may be agreed upon, only with the prior written consent of all of the Bondholders of the then Outstanding 2025B Subordinate Bonds and other Subordinate Bonds then Outstanding, and upon satisfaction of all of the following conditions:

- (a) <u>Compliance with Indenture</u>. The Issuer is in substantial compliance with all of the covenants of the Master Indenture, the Subordinate Bonds Indenture and the Senior Bonds Indenture and no Event of Default under the 2025B Subordinate Indenture or event of default under the Master Indenture, the Subordinate Bonds and the Senior Bonds Indenture shall have occurred and is continuing.
- (b) <u>Supplemental Indenture</u>. On the date of the issuance of the proposed new series of Subordinate Bonds, the Trustee shall be in receipt of the originally executed counterparts of a Supplemental Indenture, designating the new Series of Senior Subordinate Bonds to be created and prescribing expressly or by reference to the Subordinate Bonds of such Series:the principal amount of such Series;
  - (ii) the terms of such Series;
  - (iii) the maturity dates thereof, which shall be a December 15;
  - (iv) the rate or rates of interest and the date from which, and the date or dates on which, interest is payable, which shall be the same as the Interest Payment Dates for the 2025B Subordinate Bonds;
    - (v) provisions as to redemption;
  - (vi) any additional security to be provided for such Subordinate Bonds;
  - (vii) any other provisions necessary to describe and define such Series within the provisions and limitations of the Master Indenture; and
  - (viii) any other provisions and agreements in respect thereof provided, or not prohibited, by the 2025B Subordinate Indenture, the Senior Bonds Indenture and the Master Indenture.
- (c) <u>Opinion of Bond Counsel</u>. On the date of the issuance of the proposed new Series of Subordinate Bonds, the Trustee shall be in receipt of an opinion or opinions of Bond Counsel acceptable to the Trustee to the effect that:
  - (i) all instruments furnished to the Trustee conform to the requirements of the 2025A Senior Indenture, the 2025B Subordinate Indenture and the Master Indenture and constitute sufficient authority hereunder for the Trustee to authenticate and deliver the new Series of Subordinate Bonds then proposed to be issued;

- (ii) the new Series of Subordinate Bonds then proposed to be issued, when issued, will be secured by the lien of the 2025B Subordinate Indenture, as supplemented by the Supplemental Indenture, to the extent provided in the 2025B Subordinate Indenture and therein; and
- (iii) any exclusion from gross income for federal income tax purposes of the interest on the Outstanding Tax-Exempt Bonds will not be impaired by the issuance of the Additional Subordinate Bonds then proposed to be issued.

## **Issuance of Refunding Bonds**

Notwithstanding any other provision contained in the 2025B Subordinate Indenture, Refunding Bonds may be issued in such principal amount as may be necessary to refund a Series of the Outstanding Subordinate Bonds, provided that such Refunding Bonds do not increase the Issuer's debt service (there shall be excluded from such debt service to become due with respect to the proposed Refunding Bonds at their Stated Maturity the proceeds thereof deposited, or other moneys on deposit, in any reserve fund which is anticipated to be available for payment of such Refunding Bonds at their final maturity) in any year during which any Senior Bonds, the Refunding Bonds and any other Bonds are Outstanding, if prior thereto or simultaneously therewith there are filed with the Trustee:

- (a) <u>Required Documents</u>. The documents required under subsections (b) and (c) under "- Issuance of Additional Obligations under the 2025B Subordinate Indenture," except that all references in such Section to the additional Series of "Subordinate Bonds" shall be deemed to refer to the "Refunding Bonds."
- (b) <u>Redemption Instructions</u>. If any Subordinate Bonds to be refunded are to be called for prior redemption at the option of the Issuer, a certificate of the Issuer Representative that irrevocable instructions to give due and timely notice of such redemption have been given; and
- (c) <u>Moneys and Federal Securities for Redemption</u>. A certificate of the Issuer Representative that either (i) moneys in an amount sufficient to effect payment of the debt service of the Subordinate Bonds to be refunded, as the same became due, are held (or are required to be deposited) in an escrow account or with the Trustee in trust for such purpose, or (ii) Government Obligations are held (or are required to be deposited) in an escrow account or with the Trustee in such principal amounts, of such maturities, bearing such interest, if any, and otherwise having such terms and qualifications as are set forth in the Master Indenture, to provide, together with any moneys so held (or required to be deposited), for the payment of the debt service of the Subordinate Bonds to be refunded, as the same become due, which federal securities and moneys are held (or are required to be deposited) in trust in accordance with the Master Indenture.

## **Issuance of Senior Bonds**

Except for the 2025A Senior Bonds (which are permitted), the Issuer may issue Additional Senior Bonds only if the Owners of 100% in aggregate principal amount of the Subordinate Bonds then Outstanding consent to the issuance of such Additional Senior Bonds;

provided, however, that the issuance of Additional Senior Bonds which refund outstanding Senior Bonds (and the proceeds of which may also refund Subordinate Bonds) shall not require the consent of any Owners of Subordinate Bonds so long as the annual debt service on such refunding Senior Bonds is no greater than the annual debt service (there shall be excluded from such debt service to become due on such proposed refunding Senior Bonds on their final maturity date, the proceeds thereof, or other moneys on deposit, in any reserve fund which is anticipated to be available for payment of such refunding Senior Bonds at their final maturity) on the refunded Series of Senior Bonds in any year in which the proposed Additional Senior Bonds or any Subordinate Bonds would remain Outstanding.

### **Other Debt Prohibited**

The Issuer shall not issue or incur bonds, notes, or other obligations payable in whole or in part from, or constituting a lien upon, the Subordinate Bonds Pledged Revenues, or revenues from any debt service mill levy of District No. 2, other than Additional Subordinate Bonds issued in accordance with "— Issuance of Additional Subordinate Bonds under the 2025B Subordinate Indenture," "— Issuance of Refunding Bonds," "— Issuance of Senior Bonds," and Junior Obligations and Junior Subordinate Obligations in accordance with the Master Indenture and a Supplemental Indenture with respect to such Junior Obligations, Junior Subordinate Obligations, and obligations subject to annual appropriation.

### Covenants of the Issuer

Pursuant to the Master Indenture, the Issuer has covenanted as follows:

- (a) <u>Performance of Duties</u>. The Issuer will perform or cause to be performed all its duties required under the Master Indenture and under each Supplemental Indenture, including, but not limited to, the collection of the Pledged Revenues (i.e., the Subordinate Bonds Pledged Revenues) and application thereof in accordance with each Supplemental Indenture (including the 2025B Subordinate Indenture).
- Levies. The Issuer Board covenants and agree to require each Sterling Ranch District (including the District) to impose a debt service mill levy (including the District No. 2 Subordinate Required Mill Levy) as provided for in such District's Pledge Agreement (including the Pledge Agreement) and the Supplemental Indenture (including the 2025B Subordinate Indenture) pursuant to which a Series of Bonds (including the 2025B Subordinate Bonds) has been issued which are secured by such District Debt Service Mill Levy revenues, and to remit, or cause to be remitted to the Trustee all revenues resulting from the imposition of such District Debt Service Mill Levies for deposit in accordance with such applicable Supplemental Indenture. The Issuer shall determine each District Required Mill Levy for each Sterling Ranch District for each calendar year in accordance with the procedures set forth in each Pledge Agreement. No later than December 10 of each calendar year, commencing in 2019, the Issuer shall give each Sterling Ranch District the final rate of its mill levy in accordance with the requirement of each Pledge Agreement.

- <u>Further Assurances</u>. At any and all times, the Issuer shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, Pledged Revenues and other moneys pledged by the Master Indenture or assigned, or intended so to be, or which the Issuer may thereafter become bound to pledge or to assign, or as may be reasonable and required to carry out the purposes of the Master Indenture and to comply with law. The Issuer shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues and other moneys pledged under the Master Indenture and all the rights of every Owner of the 2025B Subordinate Bonds against all claims and demands of all persons whomsoever. The Issuer shall take all actions to enforce, and shall cooperate fully with the Trustee in enforcing, the rights to receive payments under each Pledge Agreement. The Issuer shall cause a true and correct copy of each executed Pledge Agreement to be delivered to the Trustee and shall cause each Sterling Ranch District to pay all revenue generated by each District Debt Service Mill Levy directly to the Trustee for deposit as set forth in each Supplemental Indenture.
- (d) <u>Compliance with Certain Agreements</u>. The Issuer covenants in the Master Indenture that it will at all times, comply with all material provisions of the Pledge Agreements (including the Pledge Agreement) and will take no action which may result in, nor fail to take any action necessary to prevent, any noncompliance with or default by the Issuer under any material provision of such agreements. The Issuer also covenants in the Master Indenture that it currently is not in default under any existing Outstanding Obligation or any agreement in connection therewith.
- (e) <u>Use of Proceeds</u>. The Issuer covenants and agrees that the proceeds of the sale of each Series of Bonds will be deposited and used as provided in the Master Indenture and each Supplemental Indenture.
- (f) <u>Issuer Records</u>. So long as any of the 2025B Subordinate Bonds remain Outstanding, proper books of record and account will be kept by the Issuer showing complete and correct entries of all transactions relating to the 2025B Subordinate Bonds, the Pledged Revenues, the Trust Estate and the Actual Capital Costs.
- (g) <u>Right to Inspect</u>. The Trustee and any Owner of any of the 2025B Subordinate Bonds, or any duly authorized agent or agents of the Trustee or such Owner, shall have the right at all reasonable times to inspect all public records, accounts and data which the Issuer may have relating to the 2025B Subordinate Bonds, the Pledged Revenues, the Trust Estate and the Actual Capital Costs and all properties appertaining thereto.

## (h) Annual Statements and Audits; Other Information.

(i) The Issuer, while any 2025B Subordinate Bonds are Outstanding and unpaid, will cause an annual audit of its revenues and expenditures to be made by an independent accountant. The Issuer agrees to deliver without

request a copy of such audits promptly after completion, and in all events within 180 days after the end of the Fiscal Year to which such audit relates, to the Trustee, who shall deliver copies to any beneficial owner of any 2025B Subordinate Bond who requests the same. The Issuer also covenants that, to the extent any 2025B Subordinate Bonds are subject to the provisions of the Rule 15c2-12, promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the Issuer will take all necessary action to enable compliance with the applicable provisions of such Rule 15c2-12, including entering into an undertaking to provide continuing disclosure as and if required by such Rule 15c2-12 with respect to such 2025B Subordinate Bonds. The Trustee shall have no duty to review or examine any financial statements received.

- (ii) The Issuer shall, promptly following receipt by the Issuer, file with the Trustee any notification of any material failure to comply with any Pledge Agreement.
- (i) <u>No Other Liens</u>. Other than as specifically provided in the Master Indenture or in a Supplemental Indenture, there are no liens or encumbrances of any nature whatsoever on or against the Pledged Revenues.
- (j) <u>Issuer Existence</u>. The Issuer will maintain its legal identity and existence so long as any of the 2025B Subordinate Bonds remain Outstanding, unless another legal entity by operation of law succeeds to the liabilities and rights of the Issuer under the Master Indenture and under the 2025B Subordinate Bonds without materially adversely affecting the privileges and rights of any Owner of any 2025B Subordinate Bonds.
- (k) Protection of Security. The Issuer or any officers, Board members, agents or employees of the Issuer shall not take any action in such manner or to such extent as might materially prejudice the security for the payment of the 2025B Subordinate Bonds and the interest thereon according to the terms thereof, including, without limitation, the giving of consents to actions by others and material amendments to any Pledge Agreement. The Trustee, on behalf of the Issuer and at the direction of the Issuer, shall cause all continuation statements, if any, related to the Master Indenture and the Pledged Revenues, and such other documents as may be necessary, in the opinion of Counsel acceptable to the Trustee, to be kept and filed in manner and such places as may be required by law in order to preserve and protect fully the security of the Owners of the 2025B Subordinate Bonds and the rights of the Trustee under the Master Indenture.
- (1) <u>Notices to Trustee</u>. The Issuer shall notify the Trustee in writing of any failure to receive any revenues required to be remitted under any Pledge Agreement, specifying the reason or reasons for such failure of payment by any Sterling Ranch District or other responsible party. Such notice shall be provided by the Issuer as soon as practicable following the Issuer's learning of such failure.
- (m) <u>Pledge Agreements</u>. The Issuer agrees that it will not consent to any amendment of or modification to the Pledge Agreement or any other Pledge Agreement

that would in any manner adversely impact the pledge of revenue for, or the payment of debt service with respect to the 2025B Subordinate Bonds.

## (n) <u>Tax Covenant</u>.

- (i) The Issuer has covenanted in the Master Indenture for the benefit of each Owner of any Tax-Exempt Bond (including the 2025B Subordinate Bonds) that it shall not (a) make any use of the proceeds of any Tax-Exempt Bonds, any fund reasonably expected to be used to pay the principal of or interest on any Tax-Exempt Bonds, or any other funds of the Issuer; (b) make any use of the facilities comprising the Project; or (c) take, or omit to take, any other action with respect to any Tax-Exempt Bonds, the proceeds thereof, or otherwise, if such use, action or omission would under the Code, cause the interest on any Tax-Exempt Bonds to be included in gross income for federal income tax purposes or be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, trusts and estates.
- (ii) In particular, the Issuer has covenanted in the Master Indenture for the benefit of each Owner of any Tax-Exempt Bonds (including the 2025B Subordinate Bonds) that it shall not take, or omit to take, or permit or suffer any action to be taken if the result of the same would cause the Tax-Exempt Bonds to be (a) "arbitrage bonds" within the meaning of Section 148 of the Code, including for such purposes, to the extent applicable, the rebate requirements of Section 148(f) of the Code; or (b) "private activity bonds" within the meaning of Section 141 of the Code. Such covenants of the Issuer shall survive the payment of the Tax-Exempt Bonds until all rebate requirements related to the Tax-Exempt Bonds have been satisfied.

Pursuant to the 2025B Subordinate Indenture, the Issuer has, among other covenants, also covenanted to enforce the collection of all amounts payable by District No. 2 under the Pledge Agreement in accordance with the terms and provisions thereof, and will diligently pursue all remedies available to it with regards to such enforcement, whether at law or in equity.

## **Pledge of Trust Estate**

Pursuant to the 2025B Subordinate Indenture, and subject only to the rights of the Issuer to apply amounts under the provisions of 2025B Subordinate Indenture, a pledge of the Trust Estate to the extent provided in the 2025B Supplemental Indenture is made, and the same is pledged to secure the payment of the principal of, premium, if any, and interest on the Subordinate Bonds. The pledge hereby made shall be valid and binding from and after the time of the delivery of the first Subordinate Bond authenticated and delivered under the 2025B Supplemental Indenture.

### 2025B Events of Default and Remedies

2025B Events of Default.

- (a) 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 2025B Supplemental 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 hereunder except as provided in this Section:
  - (i) The Issuer fails to cause District No. 2 to impose the District No. 2 Subordinate Required Mill Levy as provided in the Master Indenture, 2025B Supplemental Indenture, the Master Indenture, and the Pledge Agreement; or
  - (ii) The Issuer fails to collect the Subordinate Bonds Pledged Revenues or apply the Subordinate Bonds Pledged Revenues as required by the 2025B Supplemental Indenture for a period of 45 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Required Holders; or
  - (iii) The Issuer fails to observe or perform any covenant or agreement on its part under the 2025B Supplemental Indenture other than those covenants and agreements listed under subsection (a)(i) above, for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Required Holders, provided, however, that if the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given, it shall not be an Event of Default with respect to such Series as long as the Issuer has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy; or
  - (iv) The Issuer or District No. 2 institutes proceedings to be adjudicated as bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition or answer or consent seeking reorganization or relief under the Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Issuer or District No. 2 or of any substantial part of its respective property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due; or
  - (v) Any Event of Non-Compliance under the District No. 2 Pledge Agreement.
- (b) It is acknowledged that due to the limited nature of the Subordinate Bonds Pledged Revenues, the failure to pay the principal of or interest on the Subordinate

Bonds when due shall not, in and of itself, constitute an Event of Default under the 2025B Subordinate Indenture, if the Issuer is otherwise in compliance with all provisions thereof.

No Acceleration. There shall be no rights of acceleration with respect to the Subordinate Bonds.

Other Remedies. Following the occurrence of an Event of Default, the Trustee may enforce each and every right granted to the Issuer or the Trustee under the 2025B Subordinate Indenture. In exercising such rights and the rights given the Trustee under the 2025B Subordinate Indenture, the Trustee shall take such action as, in the judgment of the Trustee applying the standards described in the 2025B Subordinate Indenture, would best serve the interests of the Bondholders.

<u>Legal Proceedings by Trustee</u>. If any Event of Default has occurred and is continuing, the Trustee in its discretion may, and upon the written request of the Majority Interest and receipt of indemnity to its satisfaction, shall, in its own name:

- (a) By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Issuer to carry out any other provisions of the 2025B Supplemental Indenture for the benefit of the Bondholders; and
- (b) By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

<u>Discontinuance of Proceedings by Trustee</u>. If any proceeding commenced by the Trustee on account of any default is discontinued or is determined adversely to the Trustee, then the Issuer, the Trustee and the Bondholders shall be restored to their former positions and rights under the 2025B Subordinate Indenture as though no such proceedings had been commenced.

Bondholders May Direct Proceedings. The Majority Interest shall have the right, after furnishing indemnity satisfactory to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee under the 2025B Subordinate Indenture, provided that such direction shall not be in conflict with any rule of law or with the 2025B Supplemental Indenture or unduly prejudice the rights of minority Bondholders and provided further that the Trustee may decline to follow such directions if the Trustee, upon advice of counsel, determines that the taking of the action specified in such directions would involve it in personal liability against which indemnity would not be satisfactory.

<u>Limitations on Actions by Bondholders</u>. No Bondholder shall have any right to pursue any remedy under the 2025B Subordinate Indenture unless:

(a) the Trustee shall have been given written notice of an Event of Default;

- (b) the Majority Interest shall have requested the Trustee, in writing, to exercise the powers granted in the 2025B Subordinate Indenture or to pursue such remedy in its or their name or names:
- (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities; and
- (d) the Trustee shall have failed to comply with such request within a reasonable time.

Waivers of Events of Default. The Trustee may waive any Event of Default under the 2025B Subordinate Indenture and its consequences, and shall do so upon the written request of the Majority Interest. In case of any such waiver, or in case the Trustee or the Majority Interest shall have proceeded to enforce any right under the 2025B Supplemental Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee or the Majority Interest, then and in every such case the Issuer, Trustee and the Bondholder shall be restored to their former positions and rights under the 2025B Subordinate Indenture with respect to the Trust Estate, and all rights, remedies and powers of the Trustee and the Bondholder shall continue as if no such proceedings had been taken.

Application of Moneys in Event of Default. During the continuance of an Event of Default, all moneys held and received by the Trustee pursuant to any right given or action taken under the provisions of the 2025B Subordinate Indenture and any other moneys held as part of the Trust Estate shall, after payment of the costs and expenses of the proceedings which result in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect thereto, be applied according to the accrued debt service deposits or payments with respect to each Series of Subordinate Bonds as follows:

(a) Unless the principal of all such Outstanding Subordinate Bonds shall have become due and payable:

First: To the payment of all installments of interest then due on any Subordinate Bonds with interest on such overdue interest at a rate of interest borne thereby, and, if the amount available shall not be sufficient to pay in full any particular installment together with such interest, then to the ratable payment of the amount due on such installment; and

Second: To the payment of the unpaid principal amount of any Outstanding Subordinate Bond and if the amounts available shall not be sufficient to pay in full such Subordinate Bonds due on any particular date, then to the payment thereof ratably, according to the principal amounts due on such date, to the Bondholders entitled thereto, without any discrimination or preference.

(b) If the principal of all Outstanding Subordinate Bonds shall have become due and payable, all such moneys held hereunder shall be applied to the payment of the principal, premium, if any, and interest then due and unpaid upon the Subordinate Bonds with interest on such overdue amounts, without

preference or priority as between principal, premium, if any, or interest on such Subordinate Bonds, ratably according to the amounts due respectively for principal, premium, if any, and interest to the Persons entitled thereto.

Any payment or distribution of assets of the Issuer of any kind or character, whether in cash, instruments, securities or other property, by set-off or otherwise, to which any Bondholder of a Subordinate Bonds would be entitled but for the provisions of the 2025B Subordinate Indenture, shall be paid by the Issuer or by any receiver, trustee in bankruptcy, liquidating trustee, agency or other person making such payment or distribution, directly to the Trustee for payment to the owners of the Senior Bonds, to the extent necessary to pay all amounts then due and payable on such Senior Bonds in full, in cash, before any payment or distribution is made in respect of the Subordinate Bonds. In the event that any payment or distribution of assets of the Issuer of any kind or character, whether in cash, instruments, securities or other property, shall be received by any Bondholder of Subordinate Bonds in respect of any Subordinate Bonds, as applicable, from any source, directly or indirectly, such payment or distribution shall be held in trust for the benefit of, and shall be immediately paid over and delivered to, the Trustee for payment to the owners of the Senior Bonds, to the extent necessary to pay all amounts then due and payable to such owners of the Senior Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the foregoing provisions, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine in accordance with the 2025B Supplemental Indenture, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix a Special Record Date in accordance with the Master Indenture (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such Special Record Date interest on the principal amounts to be paid on such Special Record Date shall cease to accrue if so paid. The Trustee shall give such notice as it may deem appropriate in accordance with the 2025B Supplemental Indenture of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Subordinate Bond until such Subordinate Bond shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever all installments of interest then due on the Subordinate Bonds and all unpaid principal amounts of any Subordinate Bonds that shall have become due have been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid, the Trustee shall resume making the transfers from the Subordinate Bonds Revenue Fund in the amounts and according to the priority set forth in the 2025B Subordinate Indenture. If all Subordinate Bonds and the interest thereon have been paid in full, together with all expenses and charges of the Trustee, any balance remaining shall be paid as otherwise required by the 2025B Supplemental Indenture, and if not so required, to the Issuer or as a court of competent jurisdiction may direct.

<u>Bankruptcy Proceedings</u>. The Trustee is hereby authorized and directed, on behalf of the owners of the Subordinate Bonds, to file a proof or proofs of claim in any bankruptcy, receivership or other insolvency proceeding involving the Issuer or [District No. 2 / any of the

Districts]. With respect to any matter in any such proceeding which requires the vote of any claimant, the Trustee is hereby authorized and directed to vote on behalf and in the name of the owners of all Subordinate Bonds outstanding hereunder in the manner designated by the Majority Interest.

## **Amendments and Supplements**

Amendments and Supplements to Master Indenture and any Supplemental Indenture without Owners' Consent. The Master Indenture and any Supplemental Indenture may be amended or supplemented at any time and from time to time, without the consent of the Owners or Other Beneficiaries, by a Supplemental Indenture between the Issuer and the Trustee, for one or more of the following purposes:

- (a) to add additional covenants of the Issuer or to surrender any right or power in the Master Indenture conferred upon the Issuer;
  - (b) to cure any ambiguity or formal defect or omission therein;
- (c) for any purpose not inconsistent with the terms of the Master Indenture or a Supplemental Indenture, as the case may be, or to cure any ambiguity or to correct or supplement any provision contained therein or in any Supplemental Indenture which may be defective or inconsistent with any other provision contained in the Master Indenture or in any Supplemental Indenture, or to make such other provisions in regard to matters or questions arising under the Master Indenture or a Supplemental Indenture which shall not be inconsistent with the provisions of the Master Indenture or the Supplemental Indenture, as the case may be, and which shall not materially adversely affect the interests of the Owners, including the appointment and duties of a Co-Paying Agent, Bond Registrar or Authenticating Agent;
- (d) to modify, eliminate or add to the provisions of the Master Indenture or a Supplemental Indenture, as the case may be, to such extent as shall be necessary to effect the qualification of the Master Indenture or such Supplemental Indenture under the Trust Indenture Act of 1939 or under any similar federal statute thereafter enacted, and to add to the Master Indenture or such Supplemental Indenture such other provisions as may be expressly permitted by the Trust Indenture Act of 1939, as from time to time amended;
- (e) to provide details in connection with the issuance of any Series of Bonds under the Master Indenture;
- (f) to modify, eliminate or add to the provisions of the Master Indenture or a Supplemental Indenture to such extent as shall be necessary to maintain any then-existing rating on any 2025B Subordinate Bonds;
- (g) to grant to or confer or impose upon the Trustee for the benefit of the Owners of the 2025B Subordinate Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or

imposed and which are not contrary to or inconsistent with the Master Indenture or a Supplemental Indenture as theretofore in effect;

- (h) to permit the appointment of a Co-Trustee under the Master Indenture or a Supplemental Indenture;
- (i) to modify, alter, supplement or amend the Master Indenture or a Supplemental Indenture to comply with changes in the Code affecting the status of interest on the Tax-Exempt Bonds as excluded from gross income for federal income tax purposes or the obligations of the Issuer in respect of Section 148 of the Code;
- (j) to make any amendments appropriate or necessary to provide for any insurance policy, irrevocable transferable letter of credit, guaranty, surety bond, line of credit, revolving credit agreement or other agreement or security device delivered to the Trustee and providing for (i) payment of the principal, interest and redemption premium on any Series of Bonds or any portion thereof; (ii) payment of the purchase price of any Series of Bonds; or (iii) both clauses (i) and (ii);
  - (k) to remove the Trustee in accordance with the Master Indenture;
- (l) to add requirements the compliance with which are required by a Rating Agency in connection with issuing a rating with respect to any Series of Bonds;
- (m) to accommodate the technical, operational and structural features of any Series of Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate bond anticipation notes, commercial paper, Hedge Facilities, Short-Term/Demand Obligations and other variable rate or adjustable rate Bonds, Capital Appreciation Bonds and other discounted or compound interest Bonds or other forms of indebtedness which the Issuer from time to time deems appropriate to incur;
- (n) to accommodate the use of a Credit Facility for any Bonds or a specific Series of 2025B Subordinate Bonds; provided that the use of such Credit Facility does not materially adversely affect the interests of the Owners of any other Obligations secured under the Master Indenture:
- (o) to confirm to the Trustee amounts pledged under each Supplemental Indenture as Pledged Revenues pursuant to such Supplemental Indenture;
- (p) to make other changes permitted or required by the Master Indenture or a Supplemental Indenture; and
- (q) to modify, alter, amend or supplement the Master Indenture or a Supplemental Indenture in any other respect which is not materially adverse to the Owners of any other Obligations secured under the Master Indenture or a Supplemental Indenture.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to the above provisions, there shall have been delivered to the Trustee an opinion of Bond

Counsel stating that such Supplemental Indenture is authorized or permitted by law and is authorized under the Master Indenture, that such Supplemental Indenture will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not adversely affect the exclusion from gross income of the interest on the 2025B Subordinate Bonds for federal income tax purposes.

Amendments and Supplements to Master Indenture and any Supplemental <u>Indenture with Owners' Consent.</u> Other than amendments permitted under " - Amendments and Supplements to Master Indenture and any Supplemental Indenture without Owners' Consent" above, the Master Indenture may only be amended by a Supplemental Indenture approved by the unanimous written consent of all Owners affected thereby, as determined by the Issuer. Other than amendments permitted under " - Amendments and Supplements to Master Indenture and any Supplemental Indenture without Owners' Consent" above, a Supplemental Indenture may be amended from time to time by an amendment to such Supplemental Indenture approved by at least 51% of the Outstanding principal amount of the 2025B Subordinate Bonds issued thereunder, provided that (a) no amendment shall be made that adversely affects one or more but less than all of the 2025B Subordinate Bonds issued under such Supplemental Indenture without the consent of at least 50% of the Outstanding principal amount of the 2025B Subordinate Bonds so affected, and (b) except as may otherwise be provided in such Supplemental Indenture, no such amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond issued under such Supplemental Indenture or the interest rate thereon, or any installment of interest thereon, or a reduction in the principal amount or redemption price thereof, without the consent of the owner of the Bond issued under such Supplemental Indenture.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to the above provisions, there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by law and is authorized under the Master Indenture, that such Supplemental Indenture will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not adversely affect the exclusion from gross income of interest on the 2025B Subordinate Bonds for federal income tax purposes.

## DEBT SERVICE REQUIREMENTS AND ESTIMATED PAYMENTS ON THE BONDS

Set forth in the following chart are the debt service requirements for the 2025A Senior Bonds (as set forth in the 2025A Senior Indenture) and the forecasted payments of the 2025B Subordinate Bonds (based upon the Base Case of the Financial Forecast). There is no assurance that the principal of or interest on either series of the Bonds will be paid as shown in this chart.

# 2025A Senior Bonds Debt Service Requirements and 2025B Subordinate Bonds Estimated Payments\*

2025 B Subordinate Bonds

2025 A Senior Bonds

	2025A Senior Bonds		2025 B Subordinate Bonds				
Year	Principal <sup>(1)</sup>	Interest <sup>(2)</sup>	Total	Estimated Principal <sup>(3)</sup>	Estimated Interest <sup>(3)</sup>	Estimated Total <sup>(3)</sup>	ESTIMATED TOTAL
2025						•	
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
2042							
2043							
2044 2045							
2045							
2047							
2048							
2049							
2050							
2051							
2052							
2053							
2054							
2055							
							-
TOTAL(4)							

- (1) Assumes no optional redemptions occur. See "THE 2025A SENIOR BONDS Prior Redemption."
- (2) Represents interest payable December 1, 2025, and on June 1 and December 1 of each year indicated.
- (3) Includes the forecasted payment of principal and interest on December 15 of each year indicated. The 2025B Subordinate Bonds have no fixed principal or interest payment schedule. The payments with respect to the 2025B Subordinate Bonds shown above reflect the forecasted principal and interest payments shown in the Financial Forecast attached as Appendix A. These payments, however, are only forecasted amounts and no assurance is given that principal and interest on the 2025B Subordinate Bonds will be paid as set forth in this table. See "RISK FACTORS Risks Related to the Financial Forecast," "THE 2025B SUBORDINATE BONDS Payment of Principal and Interest; Record Date", and Appendix A.
- (4) Due to rounding, amounts may not total.

Sources: The Underwriter (for the 2025A Senior Bonds) and the Financial Forecast (for the 2025B Subordinate Bonds).

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<sup>\*</sup> Preliminary; subject to change.

### PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT

#### General

The information under this heading "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT" only relates to the District. Only the District, and not the Issuer, is levying a property tax against its taxable valuation for the purpose of paying debt service on the Bonds. The District has pledged the revenues derived from the District No. 2 Senior Required Mill Levy to the repayment of the 2025A Senior Bonds and the District No. 2 Subordinate Required Mill Levy to the repayment of the 2025B Subordinate Bonds pursuant to the Pledge Agreement.

## **Ad Valorem Property Taxes**

<u>Property Subject to Taxation</u>. 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 District Board has the power to certify to the Douglas County Board of County Commissioners (the "County 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 Douglas County Assessor (previously defined as 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 2025 (collection year 2026) are based on an analysis of sales and other information for the period January 1, 2023 to June 30, 2024. The following table sets forth the State Property Appraisal System for property tax levy years 2021 through 2025:

Collection	Levy	Value	Based on the
Year	Year	Calculated As Of	Market Period
2022	2021	July 1, 2020	Jan. 1, 2019 to June 30, 2020
2023	2022	July 1, 2020	Jan. 1, 2019 to June 30, 2020
2024	2023	July 1, 2022	Jan. 1, 2021 to June 30, 2022
2025	2024	July 1, 2022	Jan. 1, 2021 to June 30, 2022
2026	2025	July 1, 2024	Jan. 1, 2023 to June 30, 2024

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.

The statutory actual value of certain classes of property were temporarily reduced in 2024 and thereafter in accordance with SB24-233 and HB 24B-1001 (each as defined below).

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.

<u>Determination of Assessed Value</u>. 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.

The assessed valuation for all residential real property is currently 7.15% of the actual value thereof, subject to certain temporary reductions as further described below. In accordance with SB 24-233, as amended by HB 24B-1001, beginning in levy year 2026 the assessed valuation for all residential real property will be 6.7% or 6.8% of the actual value thereof, depending on the property type. The assessed valuation for all non-residential property, with certain specified exceptions, is currently 29% of the actual value thereof, subject to temporary reductions as further described below. In accordance with SB24-233, as amended by HB 24B-1001, beginning in levy year 2027 the assessed valuation for certain classes of non-residential real property will be 25% of the actual value thereof. Producing oil and gas property is generally assessed at 87.5% of the selling price of the oil and gas. Residential and non-residential assessment rates may be changed by the Colorado General Assembly and by the eligible electors at a Statewide election, and any increases would require voter approval pursuant to TABOR.

Set forth below is a description of two laws which are intended to reduce property taxes through reductions in both actual value and assessed value. In accordance with the Indenture, it is anticipated that the District will be required to increase or decrease its District No. 2 Senior Required Mill Levy and District No. 2 Subordinate Required Mill Levy due to: (i) legislative changes in actual value; and (ii) changes in the method of calculating assessed value.

SB 24-233. On May 14, 2024, Senate Bill 24-233 ("SB24-233") became law. SB24-233: (i) established a Property Tax Limit on Qualified Property Tax Revenue (each as described below); (ii) temporarily reduces the assessment rates and calculation of the actual value for all residential real property and certain classes of non-residential real property in levy years 2024 and 2025; (iii) establishes the assessment rate for property listed by the County Assessor under any Improved Commercial Subclass Codes and Agricultural Property as 25% of the actual value thereof in levy year 2026 and thereafter; and (iv) establishes the assessment rate for residential real property in levy year 2026 and thereafter as 6.95%.

HB 24B-1001. On September 4, 2024, House Bill 24B-1001 ("HB 24B-1001") became law. HB 24B-1001 amends SB 24-233 in relevant part as follows: (i) reduce the permitted increase of the District's Qualified Property Tax Revenue from 5.5% to 5.25% as described below; (ii) temporarily reduces the assessment rates and calculation of the actual value for all residential real property and certain classes of non-residential real property in levy year 2025; (iii) for property tax years commencing on or after January 1, 2027, the assessment rate for personal property and nonresidential property is 25% of the actual value thereof; (iv) for property tax years commencing on or after January 1, 2026, if the Statewide Actual Value Growth¹ is greater than 5%, the assessment rate for all residential real property other than qualified-senior primary residence real property is 6.7% of the actual value thereof minus the lesser of 10% of the actual value of the property, \$70,000 as increased for inflation or the amount that causes the valuation for assessment to be \$1,000.

The Property Tax Limit for the District is generally defined in SB 24-233, as amended by HB 24B-1001, as the Base Amount of the District's Qualified Property Tax Revenue

<sup>&</sup>lt;sup>1</sup> Generally defined in HB 24B-1001 as the difference in total statewide actual value from the property tax year commencing on January 1, 2024, and the total statewide actual value from the property tax year commencing on January 1, 2025.

increased by the total of the Growth Rate Percentage and then increased by the Carryover Amount. For the District, "Base Amount" is defined in HB 24B-1001 as the amount of qualified property tax revenue collected and lawfully retained from whichever property tax year in a previous reassessment cycle was the property tax year for which the District collected and lawfully retained the most property tax revenue. For the District, "Carryover Amount" is generally defined in HB 24B-1001 as the difference between the Base Amount of the District's Qualified Property Tax Revenue that was applicable for the most recent reassessment cycle increased by the Growth Rate Percentage for that reassessment cycle, and the District's Qualified Property Tax Revenue from the year with the greatest Qualified Property Tax Revenue from the most recent reassessment cycle. For the District, "Growth Rate Percentage" is defined in HB 24B-1001 as 5.25% multiplied by the number of property tax years in the current reassessment cycle.

The definition of Qualified Property Tax Revenue under SB 24-233 includes several exemptions, including but not limited to: (i) increased assessed value attributed to new construction; (ii) increased assessed value attributed to inclusion of additional land; (iii) an amount to provide for the payment of bonds that have both been approved by a majority of the local governmental entity's voters voting thereon and are outstanding as of November 5, 2024; and (iv) bonds and other contractual obligations issued in accordance with existing voted authorization of a local governmental entity approved by a majority of the local governmental entity's voters voting thereon as of November 5, 2024. Additionally, nothing in SB24-233 impairs: (i) the obligations of any bonds or other forms of indebtedness outstanding as of November 5, 2024 or any refundings thereof; or (ii) bonds or other contractual obligations issued in accordance with existing voted authorization (which includes the Bonds), which are not included in the calculation of the Property Tax Limit. The Bonds are being issued in accordance with existing voted authorization of the District, as described in "DEBT STRUCTURE – General Obligation Debt– Authorized but Unissued Debt; Additional Bonds" and the obligations of the Issuer under the Pledge Agreement are being incurred in accordance with existing voted authorization. Accordingly, it is anticipated that the obligations created by the issuance of the Bonds will be exempt from the Property Tax Limit established by SB 24-233, as amended by HB 24B-1001.

In accordance with SB 24-233 and HB 24B-1001, certain local governments are eligible for reimbursement (described therein as the "backfill") for reductions in property tax revenue resulting from the temporary reductions in assessed and actual value imposed by SB 24-233 and HB 24B-1001. As the District is required to increase its District No. 2 Senior Required Mill Levy and District No. 2 Subordinate Required Mill Levy to offset any legislative reductions in actual value and assessed value, as further described herein, it is not anticipated that the District will have a reduction in property tax revenue resulting from SB 24-233 or HB 24B-1001.

The following table sets forth assessment rates and reductions to the calculation of actual valuation as they relate to the District, for property tax years 2025 and thereafter:

	2025		2026		2027 and Future Years	
Type of Property	2025 Assessment Rate	2025 Actual Value Adjustment	2026 Assessment Rate	2026 Actual Value Adjustment	Assessment Rate	Actual Value Adjustment
M Id E - I	6.15% (growth rate > 5%) <sup>1</sup>		6.7% (growth rate > 5%) <sup>1</sup>	- lesser of 10% of actual value or \$70,000	6.7% (growth rate > 5%) <sup>1</sup>	- lesser of 10% of actual value or \$70,000
Multi-Family	$6.25\%$ (growth rate $\leq 5\%$ ) <sup>1</sup>	<del></del>	$6.8\%$ (growth rate $\leq 5\%$ ) <sup>1</sup>		$6.8\%$ (growth rate $\leq 5\%$ ) <sup>1</sup>	
All Other	6.15% (growth rate > 5%) <sup>1</sup>		6.7% (growth rate > 5%) <sup>1</sup>	- lesser of 10% of actual value or \$70,000	6.7% (growth rate > 5%) <sup>1</sup>	- lesser of 10% of actual value or \$70,000
Residential	$6.25\%$ (growth rate $\leq 5\%$ ) <sup>1</sup>	<del></del>	$6.8\%$ (growth rate $\leq 5\%$ ) <sup>1</sup>		$6.8\%$ (growth rate $\leq 5\%$ ) <sup>1</sup>	
Lodging	27%		25%		25%	
Renewable Energy	27%		26%		25%	
Agricultural	27%		25%		25%	
Vacant Land	27%		26%		25%	
Commercial	27%		25%		25%	
Industrial	27%		26%		25%	

<sup>&</sup>lt;sup>1</sup> The applicable residential ratio on or after levy year 2025 may vary depending on the Statewide Actual Value Growth. See "– Determination of Assessed Value" above.

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 County Commissioners. On the report of an erroneous assessment, an abatement or refund must be authorized by the County 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.

Taxation Procedure. The County Assessor is required to certify to the District the preliminary assessed valuation of property subject to the District's mill levies 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 revenues of the District, will raise the amount required by the District in its upcoming fiscal year. The District subsequently certifies to the County 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 County Commissioners levy the tax on all property subject to taxation by the District. By December 22nd of each year, the County Commissioners must certify to the County Assessor the levy for all taxing entities within the County. If the County 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 2013 Election (defined herein), however, the District's electors approved questions which exempt the District from this restriction.

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in December 2025 will be collected in 2026. 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 County 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 District No. 2 within any such entity, the assessed valuation of the property in District No. 2 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. District No. 2 is unaware of any plans to include the property within its boundaries in a tax increment entity. See "RISK FACTORS – Risks Related to Property Tax Revenues."

# **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

	Assessed Valuation		Mill Levies		
Levy/ Collection		Percent	General	Bond	
Year	Value	Change	Fund	Redemption	Total
2020/2021	\$30,349,060		33.398	55.664	89.062
2021/2022	35,882,470	18.2%	33.398	55.664	89.062
2022/2023	35,485,510	(1.1)	34.277	57.129	91.406
2023/2024	45,374,980	27.9	32.317	63.119	95.436
2024/2025	45,395,860	0.1	32.316	63.206	95.522

Sources: Douglas County Assessor's Office and the District.

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	Taxes	Current Tax	Collection
Year	Levied	Collections	Rate
2019/2020	\$2,113,269	\$2,113,271	100.00%
2020/2021	2,702,948	2,702,950	100.00
2021/2022	3,195,765	3,196,681	100.03
2022/2023	3,243,589	3,244,519	100.03
2023/2024	4,330,406	4,331,360	100.02
$2024/2025^{(3)}$	4,336,303	2,552,186	58.86

<sup>(1)</sup> Levied amounts do not reflect abatements or other adjustments.

Sources: Douglas County Treasurer's Office and the District.

Based upon the most recent information available from the County Assessor's Office, the following table sets forth the ten largest owners of taxable property 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 property owners listed below.

Ten Largest Owners of Taxable Property within the District

	2024	Percentage of
	Assessed	Total Assessed
Taxpayer Name	Valuation	Valuation <sup>(1)</sup>
Public Service Company of Colorado (Xcel)	\$721,200	1.59%
Homeowner #1	95,220	0.21
Homeowner #2	95,110	0.21
Homeowner #3	94,570	0.21
Homeowner #4	93,520	0.21
Homeowner# 5	92,530	0.20
Homeowner #6	91,700	0.20
Homeowner #7	91,550	0.20
Homeowner #8	90,920	0.20
Homeowner #9	90,150	<u>0.20</u>
TOTAL	\$ <u>1,556,470</u>	<u>3.43</u> %

<sup>(1)</sup> Based on 2024 assessed value of District of \$45,395,860.

Source: Douglas County Assessor's Office.

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

<sup>(3)</sup> Property taxes assessed in 2024 will be collected in 2025.

<sup>(4)</sup> Collections as of May 2025. [Taft to update when available]

The following table sets forth the assessed valuation of specific classes of real and personal property within the District based upon the District's 2024 assessed valuation. As shown below, residential accounts for the largest percentage of the District's assessed valuation, and therefore it is anticipated that owners of residential property will pay the largest percentage of ad valorem property taxes levied by the District.

2024 Assessed Valuation of Classes of Property in the District

	Total	Percent of
	Assessed	Total Assessed
Class	Valuation	Valuation
Residential	\$44,673,950	98.41%
State Assessed	721,200	1.59
Natural Resources	710	0.00
TOTAL	\$ <u>45,395,860</u>	<u>100.00</u> %

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 - 2024

Taxing Entity <sup>(1)</sup>	Mill Levy <sup>(3)</sup>
Douglas County Re-1 School District	45.528
Douglas County Government	18.726
South Metro Fire Rescue Fire Protection District	9.290
Douglas County Law Enforcement Authority	4.500
Douglas Public Library District	4.000
Urban Drainage & Flood Control District	0.900
Urban Drainage & Flood South Platte	0.100
Total Overlapping Sample Mill Levy	83.044
The District	95.522
Total Sample Mill Levy	<u>178.566</u>

<sup>(1)</sup> Douglas County Soil Conservation District also overlaps the District but does not assess a mill levy.

Source: Douglas County Assessor's Office.

<sup>(3)</sup> One mill equals 1/10 of one percent. Mill levies certified in 2024 result in the collection of property taxes in 2025.

## **Estimated Overlapping General Obligation Debt**

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

## Estimated Overlapping General Obligation Indebtedness

			Outstan	ding General
			Obligation Debt	
	2024	Outstanding	Attri	butable to
	Assessed	General	the	District
Entity <sup>(1)</sup>	Valuation <sup>(2)</sup>	Obligation Debt	Percent	Debt
Douglas County Re-1 School District	\$10,575,813,140	\$527,325,000	0.43%	\$ <u>2,267,498</u>
TOTAL				<u>\$2,267,498</u>

<sup>(1)</sup> The following entities also overlap the District but have no reported general obligation debt outstanding: Douglas County, Douglas County Law Enforcement Authority, Douglas County Public Library District, Douglas County Soil Conservation District, South Metro Fire Rescue Fire Protection District, Urban Drainage and Flood Control District, and Urban Drainage South Platte.

<sup>(2)</sup> The final 2024 assessed valuation certified by the County Assessor determines the collection of ad valorem property taxes in 2025.

<sup>(3)</sup> The percentage of each entity's outstanding debt chargeable to the District is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity. To the extent the District's assessed valuation changes disproportionately with the assessed valuation of overlapping entities, the percentage of debt for which property owners within the District is responsible will also change.

#### **DEBT STRUCTURE**

### General

The Issuer is a political subdivision and public corporation of the State formed pursuant to the Establishment Agreement and the Authority Act. Pursuant to Section 29-1-203.5 of the Authority Act, bonds, notes, or other financial obligations issued under paragraph (a) of Section 29-1-203.5(3) of the Authority Act (such as the Bonds), which are payable solely from revenue received under contracts entered into by the Issuer, are not an indebtedness of the Issuer within the meaning of any provision or limitation specified in the state constitution or law. Consequently, because the Bonds are payable solely from revenue received from District No. 2 under the Pledge Agreement, the Issuer was not required to receive voter approval for the issuance of the Bonds and the Bonds do not constitute an indebtedness of the Issuer. Due to the foregoing, the balance of the information set forth under this heading "DEBT STRUCTURE" relates exclusively to District No. 2.

## **Required Elections**

Various State constitutional and statutory provisions require voter approval prior to the incurrence of general obligation indebtedness by District No. 2. 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, District No. 2 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. Pursuant to Colorado court decisions, local governments such as the Issuer are not considered to be "districts" within the meaning of TABOR. See "LEGAL MATTERS – Certain Constitutional Limitations." For a discussion of the District's debt election, see "General Obligation Debt – Authorized but Unissued Debt; Additional Bonds" below.

## **General Obligation Debt**

Statutory Debt Limit. District No. 2 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. As the District's 2024 certified assessed valuation was \$45,395,860, the District's debt limitation under the Debt Limitation Statute is \$22,697,930. [The Bonds will exceed this amount]. The 2025A Senior Bonds are nevertheless permitted to be issued under an exception to the Debt Limitation Statute because the 2025A Senior Bonds are rated in one of the four highest investment grade rating categories by one or more nationally recognized organizations which regularly rate such obligations. See "RATINGS." The 2025B Subordinate Bonds are also permitted to be issued under an exception in the Debt Limitation Statute because the 2025B Subordinate Bonds are being issued only to financial institutions or institutional investors. Other exceptions from the debt limitation statute include obligations which are: 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; or secured by a

letter of credit issued by certain qualified financial institutions. Special districts are also permitted to issue general obligation debt payable from a limited mill levy not exceeding fifty mills.

Outstanding (Limited or Unlimited Tax) General Obligation Debt. Upon issuance of the Bonds, the Pledge Agreement will be the only outstanding limited or unlimited tax general obligation indebtedness of the District. The debt service schedule for the Bonds and the estimated payments of principal and interest on the Bonds is set forth in "DEBT SERVICE REQUIREMENTS AND ESTIMATED PAYMENTS ON THE BONDS."

Authorized but Unissued Debt; Additional Bonds. District No. 2's ability to issue additional debt is limited by the electoral authorization obtained from District No. 2's electors, District No. 2's Service Plan and the Pledge Agreement (which prohibits, without the prior written consent of the Issuer, the issuance of any bonds, notes or other obligations payable in whole or in part from, or constituting a lien upon, the general ad valorem taxes of the District or other Pledged Revenues, other than obligations subject to annual appropriation which are payable on a basis subordinate to the Payment Obligation). These limitations are described below.

Election. At the 2013 Election and the election held on November 4, 2014 (together with the 2013 Election, the "Elections"), District No. 2's eligible electors authorized District No. 2 to issue up to \$19,800,000,000 to finance the costs of design, acquisition, construction, installation, relocation and redevelopment and financing, completing and otherwise providing public infrastructure (which authorization is in varying amounts for various subcategories of public infrastructure), an additional \$1,800,000,000 of general obligation indebtedness for refunding outstanding obligations, plus \$1,800,000,000 additional authorization for intergovernmental agreements constituting multiple fiscal year indebtedness and indebtedness relating to the funding of operations costs. After the issuance of the Bonds, District No. 2 will have \$[19,522,264,454 - [PAR A] - [PAR B]]\* of its general infrastructure authorization remaining and all of its refunding and operations refunding authorization remaining. [what electoral authorization is being used?]

The District Board currently has no plans to seek voter approval for general obligation indebtedness in excess of this amount but reserves the right to do so in the future. District No. 2 further reserves the right to issue additional general obligation indebtedness when permitted by law and the provisions of the Pledge Agreement and the Indentures.

Service Plan. Notwithstanding the Elections, pursuant to District No. 2's Service Plan, District No. 2 may not issue new money general obligation bonds (meaning bonds, notes, or other multiple fiscal year obligations for the payment of which District No. 2 is obligated to impose ad valorem taxes, but excluding refundings) which, together with all such new money general obligation bonds of the other Districts, would exceed \$1,800,000,000 without the approval of the County. After the issuance of the Bonds, \$[1,326,018,454 - [PAR A] - [PAR B]]\* of this authorization will remain unissued.

Pledge Agreement. The Pledge Agreement limits District No. 2's ability to issue additional debt. Specifically, the Pledge Agreement provides that District No. 2 may not,

<sup>\*</sup> Preliminary; subject to change.

without the prior written consent of the Issuer and for so long as an Indenture or Indentures preventing such issuance remains in effect, issue or incur bonds, notes, or other obligations payable in whole or in part from, or constituting a lien upon, the general ad valorem taxes of District No. 2 (other than general ad valorem taxes imposed for the purpose of funding operation, maintenance and administrative costs, provided that such taxes are not imposed in excess of the amount permitted under its Service Plan after first taking into account the imposition of the District No. 2 Senior Required Mill Levy and District No. 2 Subordinate Required Mill Levy) or other Senior Bonds Pledged Revenues or Subordinate Bonds Pledged Revenues, other than obligations subject to annual appropriation which are payable on a basis subordinate to the Payment Obligation. See "SECURITY FOR THE 2025A SENIOR BONDS – Issuance of Additional Senior Bonds under the 2025A Senior Indenture," "– Issuance of Refunding Bonds," "– Permitted Subordinate Bonds," "Superior Bonds Prohibited," "– Other Debt Prohibited and "SECURITY FOR THE 2025B SUBORDINATE BONDS – Issuance of Additional Subordinate Bonds under the 2025B Subordinate Indenture," "– Issuance of Refunding Bonds," "– Issuance of Senior Bonds," and "– Other Debt Prohibited."

## **Revenue and Other Financial Obligations**

District No. 2 also has the authority to issue revenue obligations payable from the net revenue of District No. 2's facilities, to enter into obligations which do not extend beyond the current fiscal year, and to incur certain other obligations. District No. 2 presently has no such obligations outstanding.

### **Selected Debt Ratios**

The following table sets forth the obligations of District No. 2 supported by the Pledge Agreement following the issuance of the Bonds and the refunding and defeasance of the 2020 Bonds and overlapping debt within District No. 2 (only for those entities which currently pay their general obligation debt through a mill levy assessed against property within District No. 2) to the assessed valuation and statutory actual value of the District:

# Selected Debt Ratios of District No. 2 as of the Date of this Official Statement (Unaudited)\*

	2025A Senior	Total
	Bonds	Debt <sup>(1)</sup>
Direct Debt <sup>(2)</sup>	\$[PAR A]	
Overlapping Debt	2,267,498	
Total Direct Debt and Overlapping Debt		

2024 Certified Assessed Valuation Ratio of Direct Debt to 2024 Certified Assessed Valuation Ratio of Direct Debt Plus Overlapping Debt to 2024 Certified Assessed Valuation

2024 Statutory "Actual" Value<sup>(3)</sup>
Ratio of Direct Debt to 2024 Statutory "Actual" Value<sup>(4)</sup>
Ratio of Direct Debt Plus Overlapping Debt to 2024 Statutory "Actual" Value

- (1) Consisting of the Pledge Agreement supporting (a) the outstanding principal amount of the 2025A Senior Bonds in the aggregate amount of \$[PAR A]\*, and (b) the outstanding principal amount of the 2025B Subordinate Bonds in the aggregate amount of \$[PAR B]\*. Excludes the 2023A-1 Junior Subordinate Bonds and 2023A-2 Junior Subordinate Bonds, which are subordinate to the Bonds but are supported by revenues derived from the Pledge Agreement and similar pledge agreements entered into between the Issuer and the remaining Sterling Ranch Districts.
- (2) Assumes refunding and defeasance of the 2020 Bonds in accordance with the terms of the Escrow Agreement.
- (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 7.15% 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, including the oil and gas production within the District). 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, District No. 2, and information obtained from individual overlapping entities.

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<sup>\*</sup> Preliminary; subject to change.

#### THE ISSUER

## **Organization and General Description**

The Issuer is a separate legal entity, political subdivision and public corporation of the State, organized in January 2014, in accordance with Section 29-1-203, C.R.S., and Section 29-1-203.5, C.R.S. (collectively, as previously defined, the "Authority Act"), pursuant to a Sterling Ranch Community Authority Board Establishment Agreement dated as of January 6, 2014 (as subsequently amended and restated by a First Amended and Restated Sterling Ranch Community Authority Board Establishment Agreement dated effective June 29, 2015, a Second Amended and Restated Sterling Ranch Community Authority Board Establishment Agreement dated effective March 18, 2020, and the First Amendment to Second and Amended and Restated Sterling Ranch Community Authority Board Establishment Agreement dated March 26, 2025), as the same may be further amended from time to time (the "Establishment Agreement"), among the Sterling Ranch Districts. As stated in the Establishment Agreement, the Issuer was organized for the purpose of effecting the development and operations and maintenance of the Public Improvements serving Sterling Ranch (including the Development) for the benefit of the Districts, the residents and property owners.

In accordance with the Establishment Agreement, the service area of the Issuer is to consist of the service area of the Sterling Ranch Districts (i.e., the approximately 3,400 acres comprising Sterling Ranch), as the same may change from time to time. The Issuer has the authority to issue debt, but is not authorized to impose ad valorem property taxes and has no legal "boundaries." The primary source of revenue available to the Issuer is property taxes to be made available to the Issuer in accordance with the Establishment Agreement and pursuant to intergovernmental agreements with other governmental entities, such as the Pledge Agreement entered into with District No. 2, and the collection of fees for services provided within the Sterling Ranch Districts as contemplated by the Establishment Agreement. See also "FINANCIAL INFORMATION OF THE ISSUER AND THE DISTRICT."

#### **Issuer Powers**

The rights, powers, privileges, authorities, functions and duties of the Issuer are established by the laws of the State, particularly the Authority Act and the Establishment Agreement. See also "–Establishment Agreement" below.

Pursuant to the Authority Act, the Issuer is to have the powers set forth in the Establishment Agreement and, to the extent provided by the Establishment Agreement and deemed by the parties thereto to be necessary or convenient to allow the Issuer to achieve its purposes, is authorized to exercise any general power of a special district under the Special District Act, so long as each of the parties to the Establishment Agreement may lawfully exercise the power; provided, however, that, in accordance with the Authority Act and the Establishment Agreement, the Issuer may not levy a tax or exercise the power of eminent domain. In addition to any other powers set forth in the Establishment Agreement (described below), pursuant to the Authority Act, the Issuer has the power to issue bonds, notes, or other financial obligations payable solely from the revenue derived from one or more of the functions, services, systems, or facilities of the Issuer, from money received under contracts entered into by the Issuer, or from other available money of

the Issuer. The Authority Act also provides that the Issuer has the power to acquire, lease and sell property, and requires that the Establishment Agreement provide that, upon dissolution of the Issuer, all of its property is transferred to, or at the direction of, one or more of the parties to the Establishment Agreement.

Pursuant to the Establishment Agreement, the Issuer is expressly authorized to exercise any power of a special district under the Special District Act, so long as each of the Sterling Ranch Districts may lawfully exercise the power; provided, however, that the Issuer may not levy a tax or exercise the power of eminent domain. The Establishment Agreement provides that, subject to the limitations of the Establishment Agreement, the functions, services and general powers of the Issuer are as follows: (a) to establish such rules, regulations, procedures and policies as necessary for administration of the Issuer and access to and use of the Public Improvements; (b) to plan, design, acquire, construct, install, relocate and/or redevelop and finance the Public Improvements according to the procedures set forth therein; (c) to own, operate and manage the Public Improvements as set forth therein, and to cooperate with other governmental entities with regard to the Public Improvements; (d) to collect from the Sterling Ranch Districts and administer revenues for all such purposes in the Establishment Agreement, subject to the terms of the Establishment Agreement; (e) to determine the Actual Operations and Maintenance Costs and Final Budget (both as defined in Appendix C hereto) for the Public Improvements and the mill levy required to be imposed by each Sterling Ranch District; (f) to determine the Actual Capital Costs and Final Budget for the Public Improvements, pursuant to the pledge set forth in the Establishment Agreement; (g) to acquire, hold, lease (as lessor or lessee), sell, or otherwise dispose of (subject to the limitations set forth in the Establishment Agreement) any legal or equitable interest in real or personal property utilized for the authorized purposes of the Issuer; (h) to conduct its business and affairs in the best interests of, and for the benefit of, the Sterling Ranch Districts and their inhabitants; (i) to enter into, make and perform contracts of every kind with the Sterling Ranch Districts, including the agreements contemplated by the Establishment Agreement, the United States, any state or political subdivision thereof, or any county, city, town, municipality, city and county, any special district formed pursuant to the Special District Act, or any predecessor thereof, authority, or any persons or individual, firm, association, partnership, corporation or any other organization of any kind with the capacity to contract for any of the purposes set forth in the Establishment Agreement; (j) to set fees, rates, tolls, charges and penalties; (k) to employ agents and employees, and engage accountants, attorneys, engineers and other consultants; (1) to sue and be sued in the name of the Issuer; (m) to have and use a corporate seal; (n) to acquire, lease and sell property; and (o) to issue bonds, notes, or other financial obligations payable solely from the revenue derived from one or more of the functions, services, systems, or facilities of the Issuer, from money received under contracts entered into by the Issuer, or from other available money of the Issuer.

# **Establishment Agreement**

In accordance with the Establishment Agreement, the Issuer is established for the purpose of furnishing, operating and planning for the Public Improvements. Pursuant thereto, the Issuer is to own (to the extent not dedicated to another governmental entity), operate, maintain, finance and construct the Public Improvements, and the Sterling Ranch Districts are to contribute to the costs of construction, operation and maintenance of such Public Improvements, as more particularly described below.

Construction, Acquisition, Ownership and Operation of Public Improvements by Issuer. In accordance with the Establishment Agreement, the Issuer has the right and power to construct and acquire all Public Improvements as provided therein. For Public Improvements it constructs, the Issuer is to schedule, phase and configure the Public Improvements to adequately and economically provide for the needs of the Sterling Ranch Districts' residents and property owners, and as development demands require. The Issuer is to cause the construction of the Public Improvements to be completed on a timely basis, subject to receipt of all necessary governmental approvals and the terms of the Establishment Agreement, and is to diligently and continuously prosecute to completion the Public Improvements. The Issuer may delegate authority to its managers, employees, and agents to approve and execute change orders and agreements; provided, however, that such delegation of authority includes sufficient standards and safeguards to guide decision making and limit discretion and, each change order and agreement so approved and executed shall be ratified at the next Issuer Board meeting. The Issuer has the same requirements for Public Improvements installed by others that it acquires.

The Issuer is to own, operate and maintain all Public Improvements unless and until any of such Public Improvements are dedicated to the County or another appropriate governmental entity for perpetual ownership and maintenance. Pursuant to the Establishment Agreement, the Sterling Ranch Districts transfer and assign to the Issuer all interests in real estate contracts, and the Sterling Ranch Districts agree to execute all deeds and other documents necessary to evidence this transfer and conveyance. Except as may be required by law, the County, or Dominion (defined herein), or under the Service Plan, the Issuer will not transfer any Public Improvements to another entity without the express written consent of the Issuer Board. Within the constraints of the approved budget, the Issuer is to cause to be performed all Operation and Maintenance Services for all Public Improvements owned by the Issuer, as more particularly provided in the Establishment Agreement. "Operation and Maintenance Services" include, without limitation, contract administration and supervision of service providers, procurement of supplies, and providing operators to perform routine maintenance of Public Improvements and provide for emergency preparedness.

Financing of Public Improvements. The Sterling Ranch Districts are responsible for, and have covenanted to pay, their respective share of the "Actual Operations and Maintenance Costs" and the "Actual Capital Costs" (both as defined in Appendix C hereto). The financial obligation of each of the Sterling Ranch Districts to remit Sterling Ranch District revenues to the Issuer to fund the Actual Capital Costs and the Actual Operations and Maintenance Costs thereunder is a multiple fiscal year financial obligations of each Sterling Ranch District, payable from ad valorem property taxes generated as a result of the certification by each Sterling Ranch District of a debt service and an operations mill levy and any revenue derived from development fees or other fees, rates, tolls or charges of the Sterling Ranch Districts. The full faith and credit of each Sterling Ranch District, as limited thereby, is thereby pledged to the punctual payment of the amounts to be paid thereunder. Such amounts, to the extent necessary, are to be paid out of the general revenues of each Sterling Ranch District or out of any funds available for that purpose. For the purpose of providing the necessary funds to make payments under the Establishment Agreement, the board of directors of each Sterling Ranch District is to annually determine, fix and certify a rate of levy for ad valorem property taxes to the County, which when levied on all of the taxable property of such Sterling Ranch District, shall raise direct ad valorem property taxes revenues which, when added to other funds of the applicable Sterling Ranch District legally

available therefore, will be sufficient to promptly and fully pay the amount to be paid under the Establishment Agreement. The Establishment Agreement provides that the Issuer is to determine the Actual Operations and Maintenance Costs and the Actual Capital Costs, the final budgets therefor, and the mill levies required to be imposed by each Sterling Ranch District to fund such amounts.

With regard to the financing of the Public Improvements, at the direction of the Issuer, each Sterling Ranch District is to meet its funding obligations through the issuance of its own general obligation bonds. If bonds are issued by a Sterling Ranch District, such Sterling Ranch District is to, except as otherwise provided in the Establishment Agreement or in the Service Plans, pay the proceeds thereof to the Issuer. All net bond proceeds received from any of the Sterling Ranch Districts by the Issuer are to either be applied to the payment of Actual Capital Costs or utilized to pay all or a portion of the Issuer's outstanding revenue bonds. The Sterling Ranch Districts agree that the Issuer may issue bonds to finance actual construction costs of Public Improvements as determined by the Issuer, as required for the actual phasing and build-out of the Sterling Ranch development, and enter into service agreements or other contractual arrangements to provide for the administration services to the Sterling Ranch Districts and the operation and maintenance of Public Improvements, all in reliance upon the Sterling Ranch Districts' pledge of Sterling Ranch District revenues to the Issuer.

It is acknowledged that the Issuer may enter into pledge agreements (such as the Pledge Agreement) with one or more Sterling Ranch Districts, pursuant to which such Sterling Ranch District(s) will be obligated to impose ad valorem property taxes for the payment of obligations issued by the Issuer to fund Actual Capital Costs of Public Improvements. Notwithstanding any other provision contained in the Establishment Agreement, for so long as there remains in effect between the Issuer and any Sterling Ranch District such a pledge agreement, the provisions of such pledge agreement shall supersede every financial obligation of such District thereunder with respect to the funding of Actual Capital Costs of Public Improvements, any provisions of the Establishment Agreement purporting to require such Sterling Ranch District to impose ad valorem property taxes, collect fees or otherwise pay moneys to the Issuer to fund Actual Capital Costs of Public Improvements shall be of no force and effect during the terms of such pledge agreement, and the application of any moneys to be imposed, collected or received by the Issuer under such pledge agreement for the purpose of funding Actual Capital Costs of Public Improvements shall be governed solely by the terms of such pledge agreement; provided, however, that the net proceeds of any Bonds issued by any such Sterling Ranch District (if any) shall continue to be paid to the Issuer in accordance with the Establishment Agreement.

All revenue received by the Sterling Ranch Districts (exclusive of any revenue received from any debt service mill levy imposed to pay outstanding general obligation bonds of the Sterling Ranch Districts, if any) are to be transferred on a monthly basis to the Issuer for deposit into a funding account. Notwithstanding the foregoing, if any bond document with respect to any outstanding obligations of any Sterling Ranch District requires revenue to be deposited directly with a bond trustee or other third-party, the applicable Sterling Ranch District is entitled to make such payments, and the failure to deposit such funds with the Issuer will not be considered a default under the Establishment Agreement. The Issuer has the sole authority to withdraw monies from the funding account for use in the payment of Actual Capital Costs and Actual Operations and Maintenance Costs. Such funds, together with interest thereon, are to be used only to pay actual

capital costs and actual operations and maintenance costs incurred pursuant to the Establishment Agreement.

With respect to the payment of the Bonds, the Issuer and District No. 2 have entered into the Pledge Agreement, pursuant to which District No. 2 is obligated to impose the Required Mill Levy, as determined by the Issuer in accordance with the Pledge Agreement. Pursuant to the 2025A Senior Indenture, the Issuer is required to cause District No. 2 to impose a Required Mill Levy at least equal to the District No. 2 Senior Required Mill Levy. See "SECURITY FOR THE 2025A SENIOR BONDS." Pursuant to the 2025B Subordinate Indenture, the Issuer is required to cause District No. 2 to impose a Required Mill Levy at least equal to the District No. 2 Subordinate Required Mill Levy. See "SECURITY FOR THE 2025B SUBORDINATE BONDS." District No. 2's obligations under the Pledge Agreement are separate and apart from its obligations under the Establishment Agreement, and owners of the Bonds are not dependent upon the Establishment Agreement to require the imposition of the District No. 2 Senior Required Mill Levy or the District No. 2 Subordinate Required Mill Levy by District No. 2.

Parameters for the Issuance of Debt. The Issuer's issuance of bonds and incurring of other financial obligations is to be in accordance with the parameters set forth in the Service Plans and those parameters set forth in the Establishment Agreement, unless otherwise approved by the County. See "DEBT STRUCTURE – General Obligation Debt – Authorized but Unissued Debt; Additional Bonds." Such parameters include a District Debt Mill Levy Cap, which requires that, until such time as the assessed valuation of all taxable property within the boundaries of the Sterling Ranch Districts whose mill levies are pledged or obligated for a particular debt is equal to or greater than two times the outstanding principal amount of such debt of such Sterling Ranch Districts, (together with the principal amount of any series of general obligation bonds proposed for release from the District Debt Mill Levy Cap). District No. 2 and the other Sterling Ranch Districts may not impose a debt service mill levy that is greater than 50 mills (the "District Debt Mill Levy Cap"), subject to adjustment as described below.

The District Debt Mill Levy Cap in each Sterling Ranch District may be adjusted to take into account legislative or constitutionally imposed adjustments in assessed values or the method of their calculation (as of January 1, 2013), so that, to the extent possible, the actual revenues generated by the District Debt Mill Levy Cap are neither diminished nor enhanced as a result of such changes. Among other adjustments, a change in the ratio of actual valuation of assessable property will be deemed a change in the method of calculating assessed valuation. Pursuant to such permitted adjustments, because of changes that have occurred in the method of calculating assessed valuation after January 1, 2013, the District Debt Mill Levy Cap for District No. 2 has been adjusted to [63.206] mills, and is subject to further such adjustment.

Pursuant to the Establishment Agreement and the Service Plans of the Sterling Ranch Districts, the aggregate debt of the Sterling Ranch Districts and the Issuer (including any general obligation bonds, revenue bonds, refunding bonds, notes, debentures, or other evidences of a borrowing that constitute multiple fiscal year obligations of the Sterling Ranch Districts under Article X, Section 20 of the State Constitution) for funding the costs of Public Improvements may not exceed \$1,800,000,000 (the "Debt Issuance Limit"). When any of the Sterling Ranch Districts issues debt, the amount of such debt shall be subtracted from and reduce the amount of debt the other Sterling Ranch Districts and the Issuer are permitted to issue under their respective Service

Plans and the Establishment Agreement; provided, however, that debt issued for refunding purposes and agreements between any of the Sterling Ranch Districts and another governmental entity, including, but not limited to, other Sterling Ranch Districts and/or the Issuer for the pledge of revenues to support debt or administrative or operations and maintenance expense, will not be counted against the Debt Issuance Limit.

In addition to the foregoing and other parameters listed therein, the Establishment Agreement sets forth the following parameters for debt issuance by the Issuer and/or the Sterling Ranch Districts: (i) unless otherwise approved by the County, debt issued by any of the Sterling Ranch Districts and/or the Issuer must be amortized over a period not to exceed forty (40) years from the date of issuance with the first maturity being not later than five (5) years from the date of issuance; (ii) a certification as to the market reasonableness of the interest rate and terms of any bonds sold must be provided by an underwriter or qualified external financial advisor prior to closing on any bond issuance; and (iii) at least thirty (30) days prior to any bond issuance, a feasibility analysis from an experienced third party market research firm or a market research analyst must be submitted to the County affirming the reasonableness of the financial projections utilized in sizing the proposed debt issuance and the Issuer's and/or the Sterling Ranch Districts' ability to meet the debt service requirements thereof. The Issuer has sent the analysis described in (iii) above, as well as information on the terms of the Bonds, to the County. The County's confirmation that it has reviewed such materials and has no objection to the issuance of the Bonds on the terms set forth therein and in the Indentures is a condition precedent to the Underwriter entering into the Bond Purchase Agreement with the Issuer for the purpose of purchasing the Bonds.

Provision of Administrative Service by Issuer. In accordance with the Establishment Agreement, the Issuer is to provide specified administrative services for each Sterling Ranch District, generally including: serving as the official custodian for Sterling Ranch District records, coordination of all Board meetings, ongoing maintenance of filing system, monthly preparation of checks and coordination of postings, periodic coordination for financial report preparation and review of financial reports, insurance administration, election administration, budget preparation, response to Sterling Ranch District property owner and resident inquiries, drafting proposals, bidding, contract and construction administration and supervision of contractors, analysis of financial condition and alternative financial approaches and coordination of bond issue preparation, oversight of investment of Sterling Ranch Districts' funds, liaison to other governments, coordination with external auditors engaged by Boards, coordination of legal, accounting, engineering and other professional services to the Sterling Ranch Districts, and other services as requested by the Sterling Ranch Districts.

Covenant Enforcement. Pursuant to the Establishment Agreement, during the term thereof, the Sterling Ranch Districts assign to the Issuer all duties, rights and obligations delegated to the Sterling Ranch Districts with respect to covenant enforcement and design review services. Notwithstanding the foregoing, any Sterling Ranch District may elect to terminate such assignment with respect to such services within such Sterling Ranch District's borders with or without cause; provided however, that the terminating Sterling Ranch District shall be compelled to administer and enforce any restrictive covenants within its boundaries.

Events of Default and Remedies under Establishment Agreement. Subject to the opportunity to cure provisions set forth in the Establishment Agreement, the failure of any Sterling Ranch District to (i) make any payment when the same becomes due and payable; or (ii) perform or observe any other covenant, agreement, or condition upon notice from one of the other Sterling Ranch Districts or the Issuer of such failure shall be deemed an Event of Default under the Establishment Agreement. Upon the occurrence of an Event of Default, the non-defaulting Sterling Ranch District(s) or the Issuer, or both, shall have the option to protect and enforce its rights under the Establishment Agreement by such suits, actions, or special proceedings as they shall deem appropriate, including, without limitation, any proceedings for the specific performance of any covenant or agreement contained herein, for the enforcement of any other appropriate legal or equitable remedy, or for the recovery of damages, including attorneys' fees and all other costs and expenses incurred in enforcing the Establishment Agreement. The non-defaulting Sterling Ranch District(s) shall have the right to impose a mill levy, budget and expend funds as necessary to enforce the terms of the Establishment Agreement and to foreclose any and all liens in the manner specified by law.

Modification of Establishment Agreement. The Establishment Agreement may be modified or amended only by the written agreement of the Sterling Ranch Districts and Sterling Ranch, LLC, a Delaware limited liability company ("Sterling Ranch LLC") and shall require an amendment to the Service Plans if the modification is deemed to be a "material modification" as provided in the Establishment Agreement. The Sterling Ranch Districts acknowledge in the Establishment Agreement that performance of the Establishment Agreement for the full term thereof is key to full implementation of the Service Plans by the Sterling Ranch Districts and that any unilateral material departure therefrom by any Sterling Ranch District or the Issuer, or any attempt by any Sterling Ranch District or the Issuer to terminate the Establishment Agreement, or materially alter its terms except in accordance herewith, by judicial action or otherwise, is acknowledged to be and shall constitute a material departure from, and shall be deemed a material modification of, the Service Plans. In addition to all other remedies set forth therein or allowed by the law, the aggrieved Sterling Ranch District is entitled, in substantially the same manner as an interested party, to seek to enjoin any such "material modifications," in accordance with the Special District Act, as amended from time to time. The Sterling Ranch Districts may seek to amend their Service Plans; provided, however, if any amendment would materially affect such Sterling Ranch District(s) ability to perform under the Establishment Agreement, the Sterling Ranch Districts must first obtain the written approval of the Issuer.

### **Governing Board**

Pursuant to the Establishment Agreement, the Issuer is governed and directed by up to an eleven-member Board, comprised of up to five members to be appointed by District No. 1 and one member to be appointed by each of District Nos. 2 - 7. Currently, however, the Issuer Board is comprised of only eight members, five of which were appointed by District No. 1, and three of which were appointed by District Nos. 2, 3 and 7 (one each). Currently, District Nos. 4, 5 and 6 do not have appointed representatives. The members of the Issuer Board serve at the pleasure and under the terms of the appointing Sterling Ranch District, and shall also be directors of the appointing Sterling Ranch District. Each Sterling Ranch District may appoint alternates who, if appointed, are each to serve as a member of the Issuer Board for all purposes, in the event that the appointed member does not attend a meeting or is no longer qualified to serve. Any

alternate is also to be a director of the appointing Sterling Ranch District. District Nos. 2 and 3 have appointed alternate members.

Each member of the Issuer Board is to serve for a term of two years and, in the case of members appointed by District No. 1, is to serve in terms staggered with one another. There is no limit on the number of terms that a member may serve on the Issuer Board. In the event of a vacancy on the Issuer Board, whether by expiration of a term, resignation, by virtue of the fact that the member is no longer qualified to serve on the applicable Sterling Ranch District's Board, or for any other reason, the applicable Sterling Ranch District is to appoint a successor member within 14 days.

The directors hold regular meetings and special meetings as needed. Actions of the Issuer Board may be taken at a duly noticed regular or special meeting; provided, however, certain items requiring approval of the Issuer are to be discussed at a minimum of two public meetings prior to approval. Approval of such items may only occur at the second meeting, except for any bona-fide emergency action. The following actions require a minimum of two public meetings and Expanded Notice (as defined below): (a) adoption of the Final Budget; (b) issuance of any general obligation bonds, revenue bonds, refunding bonds, notes, debentures, or other evidences of a borrowing that constitute multiple fiscal year obligations of the Sterling Ranch Districts under Article X, Section 20 of the State Constitution; (c) on or after January 1, 2015, establishment or adjustment of rates for water and/or sewer charges where such adjustment would result in an increase in rates by more than twenty percent (20%) of the rate imposed in the full fiscal year prior to the date of the public meeting at which the rate increase is to be considered; and (d) any acquisition of land. "Expanded Notice" is defined in the Establishment Agreement to mean, in addition to notice by posting as required by the Special District Act, notification being provided by one of the following methods: (a) publication in a newspaper circulated within the County; (b) an insert with a monthly utility billing statement; or (c) email or comparable then-current technology to all property owners. To constitute an Expanded Notice, publication must be made by one of the foregoing methods no less than 30 days prior to the date of the meeting at which consideration of a final decision on the matter will be considered and not more than 60 days before the date of such meeting. Such notice must include the address of the Issuer's office where certain contact information for the Issuer Board can be found. Expanded Notice of the Issuer Board meeting at which the Bonds were approved by the Issuer Board was published in the Douglas County News Press, which is circulated within the County, on [August 7, 2025]. The Issuer Board conducted a first reading with respect to the approval of the Bonds at a public meeting held on [August 29, 2025]. The Issuer Board conducted its formal second and final reading on [September 19, 2025].

Each director is entitled to one vote on all questions before the Issuer Board and is to vote according to the policy established by each individual Sterling Ranch District; provided, however, that with respect to any matter that involves determination of the use and collection of revenue generated through the imposition of a public improvement fee or other revenues generated primarily from property within the boundaries of a Sterling Ranch District comprised solely of commercial property, the only members entitled to vote on such matters shall be those members appointed by such commercial Sterling Ranch District(s) and the quorum for such matters shall be adjusted accordingly based on the number of commercial Sterling Ranch District(s).

Issuer Board members may receive compensation for their services from the Issuer in a manner similar to directors of special districts under State law, which currently permits directors to receive compensation of up to \$100 for each meeting attended, up to a maximum annual amount of: \$2,400. With the exception of this compensation, directors may not receive compensation from the Issuer as employees of the Issuer. Certain members of the Issuer Board currently are compensated for attending Issuer Board meetings and certain members are not. The present directors, their positions on the Issuer Board, principal occupations, appointing Sterling Ranch District, and terms are as follows. There are presently three vacancies on the Issuer Board. According to Sterling Ranch District officials, such vacancies are expected to be filled when further development occurs in the Sterling Ranch Districts and qualified candidates become available.

#### **Issuer Board of Directors**

			<b>Appointing</b>	<u>Term</u>
<u>Name</u>	<u>Office</u>	Occupation	<u>District</u>	<b>Expires</b>
Harold R. Smethills, Jr.	President / Chairman	Real Estate Development	District No. 1	2026
C. Richard Shaw, III	Vice President / Asst. Secretary	Retired	District No. 1	2026
Susan Beckman	Treasurer / Secretary	Real Estate Development	District No. 1	2027
Diane H. Smethills	Asst. Secretary	Real Estate Development	District No. 1	2027
Ronald Voss	Asst. Secretary	Accountant	District No. 1	2026
Kim Koehn	Asst. Secretary	Real Estate Development	District No. 7	2027
Samuel Johnson	Asst. Secretary	Systems Engineering Manager	District No. 2	2026
Lynn Moffett	Asst. Secretary	Business Owner	District No. 3	2027
Steven Roseman <sup>(1)</sup>		Retired	District No. 2	2026
Chris Binkley <sup>(1)</sup>		VP of Operations and Facilities	District No. 3	2026

<sup>(1)</sup> Mr. Binkley and Mr. Roseman are alternates for the Issuer Board.

Pursuant to State law and the Establishment Agreement, directors are required to disclose to the Colorado Secretary of State and the Issuer Board potential conflicts of interest or personal or private interests which are proposed or pending before the Issuer Board. According to disclosure statements filed with the Secretary of State and the Issuer by Issuer Board members prior to taking any official action relating to the Bonds, three of the directors have potential or existing personal or private interests relating to the issuance or delivery of the Bonds or the expenditure of the proceeds thereof due to their respective ownership interests in and/or control of Sterling Ranch, LLC, a Delaware limited liability company ("Sterling Ranch LLC") and/or its affiliates. It is anticipated that a portion of the net proceeds of the Bonds will be used to partially reimburse Sterling Ranch LLC for amounts previously advanced to, or expended on behalf of, the Issuer by Sterling Ranch LLC. Harold R. Smethills, Jr. holds an ownership interest in Sterling Ranch LLC and holds an ownership interest in, and is the Chairman of, Sterling Ranch Development Company as Manager of Sterling Ranch LLC (the "Manager"); Diane H. Smethills is a member of the executive committee of Sterling Ranch LLC and is an employee of the Manager, and Susan Beckman is an employee of the Manager. See "RISK FACTORS – Potential Conflicts of Interest."

#### Administration

The Issuer Board is responsible for the overall management and administration of the affairs of the Issuer. Gary Debus serves as the General Manager of the Issuer. Andreas Dehmel, a full-time employee of the Issuer, serves as the Director of Finance and Accounting of the Issuer. Their biographies are set forth below. The Issuer also engages CliftonLarsonAllen LLP, Greenwood Village, Colorado to perform certain additional management and account services to the Issuer Board and the District. The Issuer employs Greenberg Traurig, LLP, for general counsel services.

The Issuer currently employs 21 individuals on a full-time basis and six individuals on a part-time basis [update?]. Issuer officials have stated that the state of relations between the Issuer Board and employees is good. The Issuer provides health insurance and other benefits to full-time employees, including dental benefits, life insurance, short- and long-term disability coverage, and retirement plan contribution matching (at different levels depending on years of service with the Issuer). As an evolving organization, the Issuer may from time to time add new employees or refine the roles of, replace, or terminate existing employees to meet the needs of the Sterling Ranch Districts and the Sterling Ranch community.

Gary Debus, General Manager, Sterling Ranch Community Authority Board. Gary Debus was hired as the General Manager on March 9, 2023. Mr. Debus oversees the daily business operations and management direction of the Issuer as required in the governing documents, and any applicable state law.

Mr. Debus has more than twenty years of relevant experience in large scale master planned community development and management. Previously, he managed the Highlands Ranch Community Association while 30,000 single family homes were constructed. In that capacity he was responsible for the management of approximately \$25 million in annual budgets, capital improvement plans and financing, approximately 700 employees, 175,000 square feet of facilities, 8,200 acres of open space and overseeing the implementation and enforcement community standards and covenant enforcement activities.

Andreas Dehmel, Director of Finance & Accounting, Sterling Ranch Community Authority Board. Andreas Dehmel is responsible for the daily business operations and management of the Finance and Accounting Department. Mr. Dehmel oversees the CAB Budget and financial planning. His oversight includes Issuer staff, service contractors and daily interaction with Sterling Ranch LLC and its staff. He serves as an integral part of the Sterling Ranch Community Authority Board management and serves as a financial advisor to the General Manager and the Issuer Board. Mr. Dehmel has been with the Issuer since December 2020.

Prior to joining Sterling Ranch, Mr. Dehmel owned and managed a consulting firm offering services for Operations and Accounting. Before that he was a Director of Finance & Operations for a Swiss company located in Highlands Ranch Colorado, which sold homeopathic products to all major retail chains nationwide. He also worked in international logistics responsible for controlling and financial planning for entities generating \$250 million annual revenues with more than 100 employees.

Mr. Dehmel holds a bachelor's degree in Marketing and Controlling & Accounting from the University of Applied Sciences Basel (Switzerland) and an executive master's in business administration in controlling & consulting from the University of Applied Sciences Bern (Switzerland). He also holds a Six Sigma Green Belt Certification from DHL's internal Process Improvement Program.

### **Issuer Agreements**

According to the Issuer's general counsel, the Issuer is not a party to any agreements which materially affect its financial status or operations, other than the agreements described below.

Agreements with Sterling Ranch LLC and Others. The Issuer is a party to agreements with Sterling Ranch, LLC, a Delaware limited liability company ("Sterling Ranch LLC") wherein Sterling Ranch LLC is obligated to fund cost shortfalls in revenues available to pay operations and maintenance expenses of the Issuer in accordance with, and subject to the limitations of, the agreements described below.

2014-2015 Operations Funding Agreement. On November 21, 2014, the Issuer and DevCo (defined below) entered into a 2014-2015 Operations Funding Agreement, which was subsequently amended and restated on June 29, 2015, and amended again on December 17, 2015 (the "DevCo Operations Agreement"). Pursuant to the DevCo Operations Agreement, DevCo shall make advances to the Issuer, as needed, to fund the Issuer's operational and maintenance expenses incurred for its fiscal year 2014 and for its fiscal year 2015 through December 1, 2015. The maximum amount that may be advanced is \$800,000. Advances accrue interest at 8.0% simple interest per annum. The Issuer agrees to repay amounts advanced pursuant to the DevCo Operations Agreement, subject to annual appropriation by the Issuer in its sole discretion. Amounts due under the DevCo Operations Agreement (described below) and subordinate to payments due under the Developer Operations Agreement.

As of July 31, 2025, a total of \$856,688.12 was outstanding under the DevCo Operations Agreement, comprised of \$467,371.35 in principal and \$389,316.77 in interest.

Sterling Ranch LLC entered into a 2017-2019 Operations Funding Agreement, which was subsequently amended on September 18, 2019. On December 15, 2021, the Issuer and Sterling Ranch LLC entered into an Amended and Restated 2017 – 2019 Operations Funding Agreement, which replaced the previous agreements (the "Developer Operations Agreement"). Pursuant to the Developer Operations Agreement, Sterling Ranch LLC shall make advances to the Issuer, as needed, to fund the Issuer's operational and maintenance expenses incurred from January 1, 2017 through December 31, 2023. This agreement may be extended for a further term. The maximum amount that may be advanced is \$39,000,000. Advances accrue interest at 6.5% per annum and are evidenced by a Promissory Note with respect to advances up to \$21,000,000. Advances in excess of \$21,000,000 accrue interest at 8.0% per annum. The Issuer agrees to repay amounts advanced pursuant to the Developer Operations Agreement, subject to annual appropriation by the Issuer in its sole discretion. Amounts due under the Developer Operations Agreement are superior to amounts due under the DevCo Operations Agreement and the Back-up Operations Agreement.

As of July 31, 2025, a total of \$27,856,937.78 was outstanding under the Developer Operations Agreement, comprised of \$22,411,139.35 in principal and \$5,445,798.43 in interest.

2016-2025 Amended and Restated Operation Funding Agreement. On November 15, 2016, the Issuer and Hobbs Investment LLC, a single member Colorado limited liability company for which DevCo is the sole member ("Hobbs"), entered into a 2016-2025 Amended and Restated Operations Funding Agreement (the "Back-up Operations Agreement"). Pursuant to the Back-up Operations Agreement, Hobbs shall make advances to the Issuer, as needed, to fund the Issuer's operational and maintenance expenses incurred for fiscal years 2016 through 2025. The maximum amount that may be advanced is \$6,850,000. The Issuer agrees to repay amounts advanced pursuant to the Back-up Operations Agreement, subject to annual appropriation by the Issuer in its sole discretion. Repayment of advances due under the Back-up Operations Agreement are subordinate to amounts due under the Developer Operations Agreement and the DevCo Operations Agreement. As of July 31, 2025, a total of \$914,078.89 was outstanding under the Back-up Operations Agreement, comprised of \$534,236.35 in principal and \$379,842.54 in interest.

**[confirm that this agreement should be deleted]** Developer Facilities Funding and Acquisition Agreement. On November 15, 2016, the Issuer and Sterling Ranch LLC entered into a Facilities Funding and Acquisition Agreement, which was subsequently amended on September 18, 2019 and December 15, 2021 (collectively, the "Developer Funding Agreement"). Pursuant to the Developer Funding Agreement, Sterling Ranch LLC shall make advances to the Issuer, as needed, to fund construction related expenses beginning January 1, 2017 and ending December 31, 2024, in an amount up to \$40,000,000. Advances accrue interest at 6.5% per annum and are evidenced by a Promissory Note. The Issuer agrees to repay amounts advanced pursuant to the Developer Funding Agreement, subject to annual appropriation by the Issuer in its sole discretion. Payments due under the Developer Funding Agreement are on a parity with payments due under the Developer Filing No. 1 Funding Agreement and superior to payments due under the DevCo Funding Agreement and the Hobbs Funding Agreement. As of July 31, 2025, there is no balance owed under this agreement.

Infrastructure Acquisition Agreement for Sterling Ranch Filing Nos. 5C and 7A. Effective May 1, 2024, the Issuer and Sterling Ranch LLC entered into an Infrastructure Acquisition Agreement for Filing Nos. 5C and 7A (the "5C and 7A IAA"). Pursuant to the 5C and 7A IAA, Sterling Ranch LLC shall construct certain Public Improvements required under the Subdivision Improvement Agreement Intergovernmental Agreements for Filing No. 5C and Filing No. 7A, respectively, for the benefit of Issuer. Issuer shall accept such improvements for ownership, operation and maintenance on the terms set forth in the 5C and 7A IAA. Issuer agreed to repay Sterling Ranch LLC for all Public Improvements constructed on behalf of and accepted by Issuer, subject to annual appropriation, in Issuer's sole discretion. As of July 31, 2025, the balance owed this agreement is \$[

2025 Facilities Funding and Acquisition Agreement. Effective January 1, 2025, the Issuer and Sterling Ranch LLC entered into a Facilities Funding Agreement for 2025 (the "2025 Facilities Funding Agreement"). Pursuant to the 2025 Facilities Funding Agreement, Sterling Ranch LLC shall make advances to the Issuer as needed to fund construction related

expenses beginning on January 1, 2025, and ending December 31, 2025 in an amount up to \$20,000,000. Sterling Ranch LLC may extend the 2025 Facilities Funding Agreement for up to two additional one year terms. Advances accrue interest at 8.0% simple interest per annum. The Issuer agrees to repay amounts advanced pursuant to the Developer Funding Agreement, subject to annual appropriation by the Issuer in its sole discretion. *Payments due under the 2025 Facilities Funding Agreement are on a parity with payments due under the Developer Funding Agreement.*As of July 31, 2025, a total of \$6,567,326.56 was outstanding under the Developer Funding Agreement, comprised of \$6,490,547.07 in principal and \$76,779.49 in interest.

Agreements with Dominion. The Issuer is also a party to agreements with Dominion Water and Sanitation District ("Dominion"), which was formed by certain affiliates of Sterling Ranch LLC to be the wholesale water and wastewater provider for property within the District and the rest of the Sterling Ranch development.

Water and Wastewater IGA. On January 6, 2014, the Issuer and Dominion entered into that certain Water and Wastewater Service Agreement for Sterling Ranch (the "Water and Wastewater IGA"), pursuant to which: (i) Dominion agreed to provide certain wholesale water and wastewater services to the Issuer; (ii) the Issuer agreed to abide by Dominion's Rules and Regulations and to operate and maintain its system in a manner therein in the delivery of water and wastewater services to its customers; and (iii) Dominion and the Issuer each assumed responsibility for the construction of certain water and wastewater facilities to serve Sterling Ranch, as further described below.

Pursuant to the Water and Wastewater IGA, Dominion agrees to acquire, design, construct, own, operate and maintain wholesale water, wholesale wastewater, and wholesale irrigation facilities, including, but not limited to, water wells, water treatment plants, water storage tanks, water storage reservoirs, major water pumping stations, water transmission pipelines both treated and raw water, wastewater treatment plant, sewage lift stations, force mains, and related appurtenances (collectively, the "Wholesale Facilities"), and, to the extent necessary, to modify or upgrade such facilities, in compliance with applicable federal, state, and local government requirements.

The Issuer agreed to finance, design, construct, own, operate, and maintain an onsite retail water distribution system to transport potable and reclaimed water from connection points with the Wholesale Facilities to all areas of use in Sterling Ranch to include water mains, valves, pressure relief valves, fire hydrants, pump stations and related appurtenances and a sanitary sewer collection system to collect wastewater from areas of use and deliver to Dominion's wastewater facility, lift stations, sewer mains, manholes, and related appurtenances (collectively, "Retail Facilities") in accordance with Dominion's Rules and Regulations. The parties agree that water and wastewater service pipelines, piping, meters, meter pits, plumbing, cleanouts, and related appurtenances used to convey water from a water main to an individual customer location and to collect sewerage from an individual customer and transport it to a sewer main (collectively "Customer Facilities") will be constructed by Builders, Sterling Ranch LLC, other entities, or the Issuer on behalf of the Builders in accordance with Dominion's Rules and Regulations and applicable building codes, and that responsibility for water and wastewater facilities which are neither Wholesale Facilities, Retail Facilities, nor Customer Facilities but are required to serve Sterling Ranch will be determined cooperatively between Dominion and the Issuer.

To fund such activities and services, the Issuer agrees to establish, impose upon its customers, and from time to time amend, rates, fees and charges for water and wastewater service, and that such rates, fees, and charges will incorporate Dominion's Service Charges. The Issuer agreed to remit to Dominion all amounts due to Dominion pursuant to the Water and Wastewater IGA, including the Service Charges and penalties and interest collected on past-due amounts (net of collection costs), within 25 business days of receipt, and to take all reasonable efforts to enforce Dominion's Rules to collect any past due fees and charges. The Issuer agrees, during normal business hours, to make available to Dominion, subject only to the limitations required by State law, information related to its collection of fees and charges for Dominion's verification of its receipt of all amounts due under the Water and Wastewater IGA.

In addition to the activities and services above, Dominion agrees to provide wholesale water delivery to the Issuer's Retail Facilities through connection points at locations mutually agreed to by Issuer and Dominion, in accordance with all State water quality requirements. For wastewater conveyance and treatment Dominion owns capacity in the Roxborough O-line, lift station and force main and currently conveys said wastewater to the South Platte Renew Facility (defined below and formerly known as the Littleton-Englewood Facility) and will continue to convey wastewater in that manner until Dominion's wastewater treatment plant (known at the time of purchase as the Roxborough Wastewater Treatment Plant (defined below) in 2016 and now known as the Chatfield Basin Water Reclamation Facility) is designed and constructed, as demands warrant. Dominion is in the first phase of the design for the CBWRF using funds provided through Douglas County's American Rescue Plan Act funds. The parties agreed that Dominion will meter all wholesale water and wastewater deliveries to the Issuer's retail customers and receive Service Charges from the Issuer for wholesale water, wastewater, and irrigation delivery pursuant to Dominion's Rules and Regulations (defined below). Both parties agreed that every effort shall be taken to provide continuous, uninterrupted water and wastewater service to the Issuer's retail customers.

The Issuer, Dominion and Sterling Ranch LLC entered into the First Amendment to the Water and Wastewater Service Agreement effective [July 22], 2025. This amendment clarified that water resources currently owned by Dominion are pledged to serve Dominion's existing and proposed water and wastewater services agreements for "Existing Retail Districts" defined the Sterling Ranch Districts and those Title 32 special districts or municipalities in existence as of February 12, 2009 and located within Dominion's service area, and the fully executed Water and Wastewater Service Agreement with the Range Metropolitan District Numbers 1-3. Under the terms of the amendment, Dominion shall require all new development seeking water and wastewater services to either (i) bring renewable water rights, or to (ii) pay for the acquisition of previously identified renewable, reliable, and firm water rights, in addition to paying tap and impact fees.

Dominion Operations IGA. On October 17, 2017, Dominion and the Issuer entered into a First Amended and Restated Water, Wastewater, and Stormwater Operations Intergovernmental Agreement (the "Operations IGA") in order to set forth the terms for the administration, operation, maintenance, repair and replacement of water and wastewater facilities prior to the provision of water and wastewater service to an end user. The parties to the Operations IGA agree that all Wholesale Facilities will be owned by Dominion and all Retail Facilities will be owned by the Issuer. The parties agree that Dominion will be responsible for the ownership,

operations, and maintenance of the Wholesale Facilities and that the Issuer will be responsible for the ownership, operations and maintenance of the Retail Facilities. Each party is permitted to contract with one or more other local governments or private vendors to execute its operations and maintenance responsibilities under the Operations IGA, but neither may relinquish or delegate its ownership or such responsibilities without the prior written consent of other party.

Pursuant to the Operations IGA, Dominion will invoice the Issuer for the provision of wholesale water and wastewater services in the amount of the Service Charges set forth in Dominion's Rules and Regulations and the Issuer will make payment for such amounts due to Dominion as required under Dominion's Rules and Regulations and be subject to the penalties and charges that apply to any late payments and curtailment of services as set forth therein. The parties agree that the Issuer will be responsible for the billing and collection of Dominion's Tap Fees required to be paid by the Builders and other owners of property within the Development for the remittance of such Tap Fees to Dominion within 25 days of collection from each end user. The Issuer will be responsible for enforcement of any and all District Rules and Regulations that apply to any end user that is in violation of such Rules and Regulations. Upon 60 days' prior written notice, either party, at its sole discretion, may terminate the obligation of the Issuer to collect Dominion's Tap Fees. The Issuer acknowledges and agrees that any proceeds received from a deficiency sale of property due to a foreclosure of the lien to secure payment of Dominion's Tap Fees will first be applied to the payment of Dominion's Tap Fees before being applied to any amounts due to the Issuer.

### **Public Improvements Provided by the Issuer**

The Issuer has the authority pursuant to the Authority Act and the Establishment Agreement to provide for the financing, construction, acquisition, installation, relocation and maintenance of all or a portion of the Public Improvements, including but not limited to water, sanitation, streets, safety, parks and recreation, transportation and mosquito control. As contemplated by the Establishment Agreement, the Issuer is responsible for managing the construction and operation of the Public Improvements and the Sterling Ranch Districts are responsible for providing the property tax base needed to generate property taxes and other revenues necessary to fund the operation, maintenance and capital costs of such Public Improvements. See "– Establishment Agreement" above.

The Issuer is to own, operate and maintain all Public Improvements unless and until any of such Public Improvements are dedicated to the County or another appropriate governmental entity for perpetual ownership and maintenance. After Public Improvements within the Development are completed and finally accepted by the Sterling Ranch Districts, it is expected that the Issuer and the Sterling Ranch Districts will assume the maintenance thereof, with the exception of the road maintenance and certain retail storm sewer maintenance which, after a two-year initial acceptance period in which the Issuer is responsible for maintenance, the County is expected to own and maintain. Although, pursuant to the Filing 2, Filing 3A, Filing 3B, Filing 3B 1st Amendment, Filing 4A, Filing 4B, Filing 4C, Filing 5A, Filing 5B, Filing 6A, Filing 6B, and Filing 6C SIA-IGA's, the County has agreed to undertake such maintenance with respect to such defined improvements within those Filings, there is no guarantee that the County will agree to undertake such maintenance with respect to such improvements in the remainder of Sterling Ranch.

## **Insurance Coverage**

In accordance with the Establishment Agreement, the Issuer is to maintain appropriate insurance limits and coverages related to the provision of services described in the Establishment Agreement and in other agreements of the Issuer. In order to comply with the Establishment Agreement, the Issuer maintains insurance through the Colorado Special Districts Property and Liability Pool ("CSDPLP") which expires on December 31, 2025 and is expected to be renewed annually going forward. 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 Issuer Board also maintains a professional liability policy with Philadelphia Insurance Company that covers the general manager, general counsel, and director of finance and accounting. The Issuer Board has a cyber liability policy through Accredited Specialty Insurance Company, which expires April 5, 2026.

#### DISTRICT NO. 2

### **Organization and Description**

District No. 2 is a quasi-municipal corporation and political subdivision of the State created pursuant to the Special District Act set forth in Title 32, Article 1, C.R.S., for the purpose of financing and constructing Public Improvements and for dedicating, when appropriate, such Public Improvements to such other entity as appropriate for the use and benefit of District No. 2's residents and property owners. District No. 2 was created pursuant to an Order and Decree of the County District Court issued on November 25, 2013 and recorded in the real property records of the County on December 10, 2013, following the approval by the proposed District No. 2's electors at an election held for that purpose and the approval of Service Plan by the County.

District No. 2 is generally located in the "Chatfield Basin" in the northwest portion of the County, and is generally bordered on the north by Chatfield State Park, on the east by Santa Fe Drive, on the west by the Hogback Ridge, and on the south by Roxborough Village. District No. 2 contains approximately 319.592 acres and includes a single-family residential development that comprises a portion of Sterling Ranch. An additional 12.512 acre site within District No. 2 is owned by Douglas County School District (the "School Site Parcel") and is being developed as an elementary school. This property will not generate any property tax revenue.

The Issuer is the sole issuer of the Bonds. The Bonds are <u>not</u> obligations of the County, the State, or the Sterling Ranch Districts, although the District is required to pledge certain revenues to the payment of the Bonds pursuant to the Pledge Agreement.

# Inclusion, Exclusion, Consolidation and Dissolution

<u>Inclusion of Property</u>. 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. The Pledge Agreement provides, in order to prevent double taxation for the same government services, in the event included property has been excluded from another Sterling Ranch District, to the extent such property remains obligated for debt obligations of the excluding district, the Issuer shall apply the revenues produced from the imposition of the Required Mill Levy on such property to the payment of the excluding Sterling Ranch District debt obligation.

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 special 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 after the effective date of the exclusion. 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.

The Pledge Agreement provides, in order to prevent double taxation for the same governmental service: (a) if such excluded property is included into one of the other Sterling Ranch Districts that is not yet imposing a debt service mill levy, then such property shall remain liable for the imposition of the Required Mill Levy and any other debt service mill levy of District No. 2, until such time as the including District begins imposing a required debt service mill levy for payment of debt obligations at which time it shall be liable for the debt service mill levy imposed only by the Board of the including District for the debt obligations, and (b) if such excluded property is included into a Sterling Ranch District that is currently imposing a debt service mill levy for debt obligations, then such property shall be liable for such debt service mill levy imposed only by the Board of the including District.

Consolidation. 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.

<u>Dissolution</u>. 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. In no event shall dissolution occur until the District has provided for the payment or discharge of all of its outstanding indebtedness and other financial obligations as required pursuant to State statutes.

#### **District Powers**

The rights, powers, privileges, authorities, functions and duties of District No. 2 are established by the laws of the State, particularly Title 32, Article 1, C.R.S. (as previously defined, the "Special District Act"). The powers of District No. 2 are, however, limited both by the provisions of its Service Plan and its electoral authorization.

Generally, District No. 2 has the power to have a perpetual existence; to enter into contracts and agreements; to sue and be sued and to be a party to suits, actions and proceedings; to borrow money and incur indebtedness and to issue bonds; to acquire, dispose of and encumber real and personal property, and any interest therein; to have the management, control and supervision of all the business and affairs of District No. 2 and all construction, installation, operation, and maintenance of improvements; to appoint, hire and retain agents, employees, engineers and attorneys; to fix and from time to time to increase or decrease fees, rates, tolls, penalties or charges for services, programs, or facilities furnished by District No. 2; to furnish services and facilities within and without the boundaries of District No. 2 and to establish fees, rates, tolls, penalties or charges for such services and facilities; to accept real and personal property for use of District No. 2 and to accept gifts and conveyances made to District No. 2; to adopt, amend and enforce bylaws and rules and regulations not in conflict with the Constitution of the State for carrying on the business, objects, and affairs of the District No. 2 Board; to enter into contracts with public utilities, cooperative electric associations, and municipalities for the purpose of providing street lighting service; and to have and exercise all rights and powers necessary in, incidental to or implied from the specific powers granted to District No. 2. Subject to compliance with statutory procedures, the Board may order the inclusion or exclusion of real property to or from District No. 2, as the case may be, thereby modifying the boundaries of District No. 2; however, any property excluded from District No. 2 subsequent to the issuance of the Bonds is obligated to the same extent as all other property within District No. 2 for the payment of the Bonds.

#### **Service Plan Limitations**

District No. 2's Service Plan, along with the Service Plans of the other Sterling Ranch Districts, contemplates the establishment by the Sterling Ranch Districts of the Issuer in accordance with the Establishment Agreement, for the purposes described in "THE ISSUER -Establishment Agreement", and authorizes District No. 2 and the other Sterling Ranch Districts to provide street, park and recreation, water, sanitation, transportation, mosquito control, safety protection, fire protection, and television relay and translation improvements, as well as to provide covenant enforcement, design review, and security services within and without their respective boundaries (as previously defined, the "Public Improvements"). The Service Plan states that the various activities of the Sterling Ranch Districts and/or the Issuer described therein are subject to County zoning, subdivision, building codes, land use regulations and other applicable County ordinances, laws, rules and regulations and all agreements related thereto. The facility and service standards of the Sterling Ranch Districts and/or the Issuer are also required to be compatible with those of the County. In addition, the Service Plan requires that any Public Improvements constructed by District No. 2 and/or the Issuer are subject to all requirements of State law, including, but not limited to, public bidding requirements. District No. 2 has the power of eminent domain as necessary to construct, install, access, relocate or redevelop the public improvements

identified in its Service Plan in the locations as determined per the County development application process. Any other exercise of the power of eminent domain by District No. 2 is subject to a 45-day notice period in which the County may object and prohibit such exercise. District No. 2 is required to obtain its wholesale water services through Dominion, and, through the Issuer, to serve end users within its boundaries.

The Service Plan states that District No. 2 will be responsible for raising revenue to fund the operation and maintenance obligations of the Issuer, including maintaining and repairing the Public Improvements as more fully set forth in the Establishment Agreement, and that the budget adopted by District No. 2 will authorize expenditures for the Districts' administration and, together with the budgets of the other Sterling Ranch Districts, the funding of the Issuer's operation and maintenance of the Public Improvements. Prior to adopting any budget, the Service Plan requires District No. 2 to have a minimum of two public meetings to consider such budget to provide an expanded opportunity for resident and property owner participation in such budget process.

The Service Plan sets forth a financing plan for the Sterling Ranch Districts in which the Issuer and/or the Sterling Ranch Districts incur debt from time to time, on a schedule and in year or years to fund the Public Improvements to support the development of Sterling Ranch from property tax revenues derived from a mill levy not to exceed the District Debt Mill Levy Cap (as defined in "THE ISSUER - Establishment Agreement - Parameters for the Issuance of Debt") with respect to any debt service mill levy imposed by District No. 2 or the other Sterling Ranch Districts, specific ownership taxes, fee revenues, and other revenues contributed, pledged or dedicated by covenant, agreement or otherwise to District No. 2. The Service Plan requires that, prior to any mill levy imposition, the Sterling Ranch Districts have a minimum of two public meetings to consider such mill levy imposition to provide for an expanded opportunity for resident and property owner participation with respect to such mill levy consideration. Pursuant to the Service Plan, the same parameters and limitations apply to the issuance of debt by District No. 2 as apply to the issuance of debt by the Issuer, including without limitation, the District Debt Mill Levy Cap (which applies to debt issued by the Issuer for which a Sterling Ranch District imposes a debt service mill levy) and the Debt Issuance Limit (as defined and further described in "THE ISSUER – Establishment Agreement – Parameters for the Issuance of Debt"). The Service Plan states that the Issuer may not require District No. 2 or any of the other Sterling Ranch Districts to impose a debt service mill levy in an amount in excess of the District Debt Mill Levy Cap, and that the District Debt Mill Levy Cap does not apply to any operational mill levy of District No. 2.

### **Governing Board**

District No. 2 is governed by a five-member Board. The members must be eligible electors of the respective District as defined by State law and are elected to alternating three or four-year terms of office at successive biennial elections as set forth in § 1-13.5-111(1) and § 32-1-103(17), C.R.S. Vacancies on the District No. 2 Board are filled by appointment of the remaining directors, the appointee to serve until the next regular election, at which time the vacancy is filled by election for any remaining unexpired portion of the term. Pursuant to statute, with certain exceptions, no nonjudicial elected official of any political subdivision of the State can serve more than two consecutive terms in office; however, such term limitation may be lengthened, shortened or eliminated pursuant to voter approval. At the 2013 Election the eligible voters in

District No. 2 voted to waive the statutory term limits, and therefore District No. 2's directors are not subject to such limitations.

The directors hold regular meetings and special meetings as needed. Each director is entitled to one vote on all questions before the applicable Board when a quorum is present. Under State law, directors may receive compensation of up to \$100 for each meeting or combined meeting of all boards attended, up to a maximum annual amount of \$2,400. With the exception of this compensation, directors may not receive compensation from District No. 2 as employees of District No. 2. Each of the District No. 2 Board members receives compensation of \$100 per meeting. The present directors, their positions on the District No. 2 Board, principal occupations and terms are as follows:

**District No. 2 Board of Directors** 

Name <sup>1</sup>	Office	Occupation	Term Expires (May)
Alexander Taylor	President	Health Care Consulting	2029
Samuel Johnson	Vice-President	Systems Engineering Manager	2029
Chris Binkley	Treasurer	VP Global Operations and Facilities	2027
Jack Hamlin	Secretary	Engineer	2027
Veric Nichols	Assistant Secretary	Technical Manager	2027

Pursuant to State law, directors are required to disclose to the Colorado Secretary of State and the District No. 2 Board potential conflicts of interest or personal or private interests which are proposed or pending before the Board. According to disclosure statements filed with the Secretary of State and District No. 2 by District No. 2 Board members prior to taking any official action relating to the Bonds, none of the Directors have a potential or existing personal or private interests relating to the issuance or delivery of the Bonds or the expenditure of the proceeds thereof due to their respective ownership interests in and/or control of the Sterling Ranch LLC and/or its affiliates.

#### Administration

The District No. 2 Board is responsible for the overall management and administration of the affairs of District No. 2. The Issuer provides administrative, legal, and management services to District No. 2 pursuant to the Establishment Agreement. District No. 2 has no employees. District No. 2 engages CliftonLarsonAllen LLP, Greenwood Village, to perform certain additional management and accounting services to District No. 2.

## **District Agreements**

The Special District Act authorizes District No. 2 to enter into agreements and contracts affecting their affairs. According to District No. 2's general counsel, District No. 2 is not a party to any agreement which materially affects its financial status or operations, except the Pledge Agreement, as described in "SECURITY FOR THE 2025A SENIOR BONDS – Pledge Agreement," "SECURITY FOR THE 2025B SUBORDINATE BONDS – Pledge Agreement," and the Establishment Agreement, as described in "THE ISSUER - Establishment Agreement."

## Facilities and Services Provided by District No. 2

District No. 2 has the authority pursuant to its Service Plan to provide for the financing, construction, acquisition, installation, relocation and maintenance of all or a portion of District No. 2 Public Improvements, including but not limited to water, sanitation, streets, safety, parks and recreation, transportation and mosquito control. As contemplated by District No. 2's Service Plan and in accordance with the Establishment Agreement, the Issuer is responsible for managing the construction and operation of the Public Improvements needed to serve District No. 2, and District No. 2, together with the other Districts, is responsible for providing the property tax base needed to generate property taxes and other revenues necessary to fund the operation, maintenance and capital costs of such Public Improvements. See "THE ISSUER - Establishment Agreement" above. In accordance with the Establishment Agreement, the Issuer is to own, operate and maintain all Public Improvements unless and until any of such Public Improvements are dedicated to the County or another appropriate governmental entity for perpetual ownership and maintenance.

Services Provided by other Governmental and Non-Governmental Entities. Residents of District No. 2 are provided a wide range of services by various entities other than District No. 2 or the Issuer. South Metro Fire Rescue District provides fire protection services and the County provides police protection services. Natural gas service and electrical service is provided by Xcel Energy. Telecommunication services are provided by Lumiere Fiber, LLC, a single member Colorado limited liability company for which Sterling Ranch LLC is the sole member ("Lumiere"), and CenturyLink Global Sales Solution, Inc., with whom Lumiere has contracted to provide gigabit fiberoptic internet speeds. District No. 2 is served by Douglas County School District RE-1.

#### **Insurance Coverage**

The District maintains its own insurance coverage to protect against loss and liability on its property. The District maintains insurance through the Colorado Special Districts Property and Liability Pool ("CSDPLP") which expires on December 31, 2025 and is expected to be renewed annually going forward. 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. In accordance with the Establishment Agreement, the Issuer coordinates and pays for insurance on behalf of the Sterling Ranch Districts. The Issuer maintains insurance in levels and types of coverage deemed appropriate by the Issuer Board.

#### FINANCIAL INFORMATION OF THE ISSUER AND THE DISTRICT

#### Sources of Revenue - Issuer

The Issuer has no taxing power and does not anticipate raising any Senior Bonds Pledged Revenues or Subordinate Bonds Pledged Revenues other than through the District. As described below and elsewhere in this Official Statement, the Issuer plans to repay the Bonds using funds received from the District pursuant to the Pledge Agreement and funds received from the imposition of certain pledged facilities fees and tap fees.

#### **Sources of Revenue – District**

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 the District revenue and are expected to be the primary source of Senior Bonds Pledged Revenues pledged to the 2025A Senior Bonds and the Subordinate Bonds Pledged Revenues pledged to the 2025B Subordinate Bonds. See "SECURITY FOR THE 2025A SENIOR BONDS – District No. 2 Senior Required Mill Levy Revenue" and "SECURITY FOR THE 2025B SUBORDINATE BONDS – District No. 2 Subordinate Required Mill Levy Revenue" for additional information regarding the property tax revenues pledged to the Bonds. Projected revenues and expenditures of the District are set forth in the Financial Forecast attached hereto as Appendix A. See "RISK FACTORS – Risks Related to the Financial Forecast."

#### **Issuer Sources of Revenues**

District Property Taxes. The primary revenue source available to the Issuer is revenue from ad valorem property taxes imposed by the Sterling Ranch Districts and payable to the Issuer in accordance with the Establishment Agreement and the Pledge Agreement. See "THE ISSUER – Establishment Agreement," "SECURITY FOR THE 2025A SENIOR BONDS," and "SECURITY FOR THE 2025B SUBORDINATE BONDS." The Issuer has no power to impose ad valorem property taxes. See the Financial Forecast attached as Appendix A for revenues anticipated to result from the imposition of taxes by the District. In addition to the District No. 2 Senior Required Mill Levy and the District No. 2 Subordinate Required Mill Levy, it is presently anticipated that the District will impose a general fund mill levy in an amount equal to the District's share of actual operations and maintenance costs and in an amount that ensures that each of the Sterling Ranch Districts imposes approximately the same total mill levy each year. The District will transfer the proceeds of its general fund mill levy to the Issuer in accordance with the Establishment Agreement to fund operation and maintenance expenses of the Issuer incurred in accordance with the Establishment Agreement. For levy year 2024 (collection year 2025), the District imposed a general fund mill levy of 32.316 mills.

# **Budget Process**

Both the Issuer and the District are 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 Issuer or the District, as applicable; 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 Issuer Board and the District Board for the ensuing year. The Issuer Board and the District Board must cause to be published a notice that such proposed budget is open for inspection by the public and hold a public hearing on the proposed budget. At the public hearing to be held prior to adoption, any elector of the Issuer or the District may register his or her objections to the proposed budget. Objections to the proposed budget. The Issuer and the District must each adopt its respective budget by December 15. After adoption of the budget, the Issuer Board and the District Board, respectively, 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 Issuer and the District cannot expend money for any of the purposes set out in their appropriation resolutions in excess of the amount appropriated. However, in the case of an emergency or some contingency which could not have been reasonably foreseen, the applicable board may authorize the expenditure of funds in excess of the budget by adopting a resolution. If the Issuer or the District receives revenues which were unanticipated at the time of adoption of the budget (other than property taxes), the applicable board may authorize the expenditure of such revenues by adopting a supplemental budget after notice and hearing.

#### **Budget Summary and Comparison**

Set forth hereafter is a statement of the District's 2025 budgets for each governmental fund as compared to the District's 2025 actual (unaudited) figures through June 30, 2025.

# STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2 General Fund

	Budget 2025	Unaudited Year-to-Date <mark>[(6/30/25)</mark> ]
BEGINNING FUND BALANCES	\$ -	-
REVENUES		
Property Taxes	1,467,013	3
Specific Ownership Taxes	132,03	1
Other Revenue	36,429	)
Total Revenues	1,635,473	3
EXPENDITURES		
County Treasurer's Fee	22,005	5
Contingency	36,429	)
Transfers to Sterling Ranch CAB	1,577,039	)
Total Expenditures	1,635,473	3
ENDING FUND BALANCES	\$ -	-

Sources: 2025 Budget of District No. 2 and June 30, 2025 unaudited financial statements of District No. 2.

# STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2 Debt Service Fund

		dget 025	Unaudited Year-to-Date <mark>[(6/30/25)</mark> ]
BEGINNING FUND BALANCES	\$		
REVENUES			
Property Taxes	2,86	59,291	
Specific Ownership Taxes	25	8,236	
Other Revenue	2	20,473	
Total Revenues	3,14	18,000	
EXPENDITURES			
County Treasurer's Fee	4	13,039	
Contingency	2	20,473	
Transfers to Sterling Ranch CAB	3,08	34,488	
Total Expenditures	3,14	18,000	
ENDING FUND BALANCES	\$		

Sources: 2025 Budget of District No. 2 and June 30, 2025 unaudited financial statements of District No. 2.

Set forth hereafter is a statement of the Issuer's 2025 budgets for certain governmental funds as compared to the Issuer's 2025 actual (unaudited) figures through June 30, 2025.

# STERLING RANCH COMMUNITY AUTHORITY BOARD General Fund

	2025 Budget	Unaudited 2025 Actual (6/30/25)
BEGINNING FUND BALANCES	\$ 85,426	\$ 71,974
REVENUES	,,	, ,
Other Income		25,000
Net Investment Income		498
Reimbursed Expenditures		41,893
Transfer from Sterling Ranch District No. 2	1,577,039	1,488,835
Transfer from Sterling Ranch District No. 3	3,150,599	2,955,293
Transfer from Sterling Ranch District No. 4	27	25
Transfer from Sterling Ranch District No. 4A	119	67,115
Transfer from Sterling Ranch District No. 7	70,461	107
Transfer from Sterling Ranch District No. 7A	44,124	41,994
Transfer from Sterling Ranch District No. 7B	226,252	215,701
Design Review Fees – Builders	425,250	75,000
Total Revenues	5,493,871	4,911,462
EXPENDITURES	,	
Accounting	250,000	133,797
Audit	45,000	171,310
Recruiting	5,400	1,948
Dues and Memberships	25,000	4,952
Insurance and Bonds	150,000	142,500
CAB Management	10,000	·
Business Development	20,000	
Banking Fees & Interest Payment	1,000	220
Legal	100,000	71,469
Miscellaneous	50,000	17,203
Rates and Fees Studies	150,000	·
Other Consulting	25,000	4,013
IT Equipment and Software	280,000	121,476
Salaries and Benefits	3,676,498	1,670,453
Parks/ Landscape/ Streets Maintenance	120,000	4,548
Design and Landscape Review	15,000	
Furniture and Equipment	20,000	
Vehicle & Maintenance	100,000	6,642
GIS Licensing & Survey	100,000	40,250
Fencing Materials	·	6,642
Contingency	50,000	14,237
Total Expenditures	5,192,898	2,406,624
OTHER FINANCING SOURCES (USES)		
Transfers to Other Funds		(556,389)
Transfers from Other Funds	300,000	506,424
Total Other Financing Sources (Uses)	300,000	(49,964)
ENDING FUND BALANCES	\$ 686,399	\$2,526,848

Sources: 2025 Budget of the Issuer and June 30, 2025 unaudited financial statements of the Issuer.

# STERLING RANCH COMMUNITY AUTHORITY BOARD Water and Wastewater Services Fund

	2025 Budget	Unaudited 2025 Actual (6/30/25)
BEGINNING FUND BALANCES	\$ 548,729	\$1,164,567
REVENUES		
Water Service Fees – Residential	3,806,579	1,620,047
Wastewater Services Fees	2,594,425	1,193,013
Storm Drainage Service Fees / Community Support Service Revenues	663,069	325,021
Water Service Fees – Construction	600,000	191,265
Account Setup/Administration Fees	113,400	36,053
Water & Sewer Permit Connection Fees	56,700	20,000
Total Revenues	7,834,173	3,385,398
EXPENDITURES		
Billing and Administration	158,262	72,149
Legal		1,795
Dominion - Residential/ Commercial/ Irrigation Water	3,387,855	1,536,801
Dominion – Construction Water	450,000	365,042
Dominion – Residential Wastewater	1,556,655	731,050
Total Expenditures	5,552,772	2,706,837
OTHER FINANCES SOURCES (USES)		
Transfers to Other Funds	(2,664,187)	(810,593)
Total Other Financing Sources (Uses)	(2,664,187)	(810,593)
ENDING FUND BALANCES	\$ 165,944	\$1,032,535

Sources: 2025 Budget of the Issuer and June 30, 2025 unaudited financial statements of the Issuer.

# STERLING RANCH COMMUNITY AUTHORITY BOARD Debt Service Fund (2020 Bonds)

	2025 Budget	Unaudited 2025 Actual (6/30/25)
BEGINNING FUND BALANCES	\$2,000,000	\$2,223,171
REVENUES		
Net Investment Income		52,077
Transfer from Sterling Ranch District No. 2	3,084,488	2,911,972
Total Revenues	3,084,488	2,964,049
EXPENDITURES		
Trustee/Paying Agent Fees	6,000	
Bond interest / Senior	1,364,725	682,363
Bond interest / Subordinate	273,763	
Bond Principal / Senior	535,000	
Bond Principal / Subordinate	905,000	
Total Expenditures	3,084,488	682,363
OTHER FINANCES SOURCES (USES)		
Transfers from Other Funds		3,550
Total Other Financing Sources (Uses)		3,550
ENDING FUND BALANCES	\$2,000,000	\$4,508,408

Sources: 2025 Budget of the Issuer and June 30, 2025 unaudited financial statements of the Issuer.

# STERLING RANCH COMMUNITY AUTHORITY BOARD Capital Projects Fund (General and Preconstruction)

	2025 Budget	Unaudited 2025 Actual (6/30/25)
BEGINNING FUND BALANCES	\$ 98,737	\$(323,830)
REVENUES		
Sterling Ranch Entities Cash Advances	3,650,000	404,278
Total Revenues	3,650,000	404,278
EXPENDITURES		
Legal		45,242
Cost Verifications/Cert		22,669
Engineering and Management	100,000	214,460
Parks / Landscape / Streets Maintenance	350,000	158,492
Parks and Recreation (Landscaping)	250,000	132,720
Streets	1,450,000	59,910
Storm Sewer		175
Streets - Grading & Erosion	1,500,000	
Total Expenditures	3,650,000	633,668
OTHER FINANCES SOURCES (USES)		
Transfers from Other Funds		530,340
Transfers to Other Funds		(58,119)
Total Other Financing Sources (Uses)		472,221
ENDING FUND BALANCES	\$ 98,737	\$ (80,999)

Sources: 2025 Budget of the Issuer and June 30, 2025 unaudited financial statements of the Issuer.

# STERLING RANCH COMMUNITY AUTHORITY BOARD Capital Projects Fund (Filing 2-14 Trunk Improvements)

	2025 Budget	Unaudited 2025 Actual (6/30/25)
BEGINNING FUND BALANCES	\$ 6,010,438	\$ (1,037,515)
REVENUES		
Facilities Fees	1,595,300	138,510
Tap Fees	1,027,670	223,830
Other Income	12,830,000	39,021
Reimbursed Expenditures	78,676,718	
Total Revenues	94,129,688	401,361
EXPENDITURES		
Repay to Sterling Ranch ent		41,377,136
Dominion – irrigation taps		596,370
Engineering and Management	5,930,392	1,979,440
Parks and Recreation (Landscaping)	[32,957,969	8,040,881
Parks/ Landscape/ Streets Maintenance	1,791,726	
Contingency	3,206,813	
Streets	10,408,043	15,562,513
Streets - Grading and erosion control	11,770,615	56,076
Storm Sewer	11,757,524	12,234,488
Sanitation	5,220,951	7,945,774
Dry Utilities	6,501,525	78,592
Dominion – construction water	915,367	

	2025 Budget	Unaudited 2025 Actual (6/30/25)
Water	5,764,763	9,559,780
Total Expenditures	96,225,688	97,431,050
ENDING FUND BALANCES	\$ 3,914,438	\$ (239,487)

Sources:

2025 Budget of the Issuer and June 30, 2025 unaudited financial statements of the Issuer.

#### STERLING RANCH COMMUNITY AUTHORITY BOARD **Capital Projects Fund (Filing 2-7 Intract Improvements)**

	2025 Budget	Unaudited 2025 Actual (6/30/25)
BEGINNING FUND BALANCES	[\$478,641	\$ 1,828,926
REVENUES		
Net Investment Income		1,128
Builder Funds		169,936
Total Revenues		
EXPENDITURES		_
Repay to Sterling Ranch ent		41,655,997
Parks and Recreation (Landscaping)		4,088,685
Damage Deposit Release		69,619
Streets		14,207,778
Storm Sewer		4,548,446
Sanitation		5,183,593
Water		4,569,595
Total Expenditures		74,323,713
OTHER FINANCES SOURCES (USES)		
SR Entities Cash Advances		32,367,779
Transfers from Other Funds		41,830,302
Transfers to Other Funds		(1,479,734)
Total Other Financing Sources (Uses)		72,718,347
ENDING FUND BALANCES	\$478,641	\$ 394,624

Sources:

2025 Budget of the Issuer and June 30, 2025 unaudited financial statements of the Issuer.

#### **Financial Statements**

Under the Colorado Local Government Audit Law, Section 29-1-601, C.R.S., et seq. (the "Audit Law"), the Issuer Board and the District Board are both required to cause to be made an annual audit of the financial statements of each Taxing District, respectively, unless exempt. The District is exempt from this requirement if their annual revenues or expenditures are below a certain level. The Audit Law provides that any local government where neither revenues nor expenditures exceed \$100,000 in any fiscal year may, with the approval of the State auditor after the completion of an application for exemption by a person skilled in governmental accounting, be exempt from the audit requirement. The Audit Law also provides that any local government where revenues or expenditures for any fiscal year are at least \$100,000 but not more than \$750,000 may, with the approval of the State auditor after the completion of an application for exemption by an independent accountant with knowledge of governmental accounting, be exempt from the audit requirement.

Both the Indentures and the Pledge Agreement require that the Issuer and the District have their financial statements audited annually, notwithstanding any State law audited exemptions that may exist.

#### **Historical Financial Information**

Set forth in the following tables are comparative statements of revenues, expenses and changes in fund balance for District No. 2's General Fund and Debt Service Fund for the fiscal years ending 2020 through 2024. Such information should be read together with the financial statements and accompanying notes appended hereto as Appendix G.

STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2 Summary of Revenues, Expenditures, and Changes in Fund Balances General Fund

		2020	2021		2	2022	2	2023		24
BEGINNING FUND BALANCES	\$		\$		\$		\$		\$	
REVENUES										
Property Taxes	79	92,207	1,01	3,599	1,19	98,746	1,21	5,686	1,51	4,555
Specific Ownership axes	(	58,356	9	7,750	10	5,975	11:	2,796	109	9,837
Interest Income		277		469		430		302		430
Total Revenues	86	50,840	1,11	1,818	1,30	)5,151	1,32	9,784	1,62	4,822
EXPENDITURES										
County Treasurer's Fees		11,887	1	5,211	1	7,983	1	8,520	2	2,250
Transfers to CAB	84	48,953	1,09	6,607	1,28	37,168	1,31	1,534	1,602	2,572
Total expenditures	80	50,840	1,11	1,818	1,30	)5,151	1,32	9,784	1,62	4,822
ENDING FUND BALANCES	\$		\$		\$		\$		\$	

Sources: Audited financial statements of District No. 2 for the years ended December 31, 2020 through December 31, 2024.

#### STERLING RANCH COLORADO METROPOLITAN DISTRICT NO. 2 Summary of Revenues, Expenditures, and Changes in Fund Balances Debt Service Fund

	2	2020	2	021	2	2022	2	023	2	024
BEGINNING FUND BALANCES	\$		\$		\$		\$		\$	
REVENUES										
Property Taxes	1,32	20,360	1,68	9,351	1,99	7,934	2,02	7,833	2,86	4,654
Specific Ownership Taxes	11	3,929	16	2,918	17	6,628	18	7,996	21	4,525
Interest Income		461		782		717		503		840
Total Revenues	1,43	34,750	1,85	3,051	2,17	5,279	2,21	6,332	3,08	0,019
EXPENDITURES										
County Treasurer's fees	1	9,812	2	5,352	2	9,971	3	0,416	4	3,457
Transfers to CAB	1,41	4,938	1,82	7,699	2,14	5,308	2,18	5,916	3,03	6,562
Total expenditures	1,43	34,750	1,85	3,051	2,17	5,279	2,21	6,332	3,08	0,019
ENDING FUND BALANCES	\$		\$		\$		\$		\$	

Sources: Audited financial statements of District No. 2 for the years ended December 31, 2020 through December 31, 2024.

Set forth in the following tables are comparative statements of revenues, expenses and changes in fund balance for the Issuer's General Fund, Water and Wastewater Services Fund, certain Debt Service Fund, and certain Capital Projects Fund for the fiscal years ending 2020 through 2024, to the extent applicable for each fund. Such information should be read together with the financial statements and accompanying notes appended hereto as Appendix F.

STERLING RANCH COMMUNITY AUTHORITY BOARD Summary of Revenues, Expenditures, and Changes in Fund Balances – General Fund

	2020	2021	2022	2023	2024
REVENUES					
Design Review Fees – Builders	\$ 323,361	\$ 445,450	\$ 381,900	\$ 237,550	\$ 350,050
Design Review Fees – Residents	88,220	2,435			
Net Investment Income	1,334	1,074	2,865	2,409	4,050
Street Lighting Charge	85,155				
Reimbursed Expenditures	175	16,302			
Transfer from Sterling Ranch District No. 2	848,953	1,096,607	1,287,169	1,311,534	1,602,572
Transfer from Sterling Ranch District No. 3	112,842	389,555	886,574	1,618,393	2,560,357
Transfer from Sterling Ranch District No. 4	42			188	15
Transfer from Sterling Ranch District No. 4A					318
Transfer from Sterling Ranch District No. 7	52,904	59,159	9,144	12,279	29,803
Transfer from Sterling Ranch District No. 7A			337	436	5,020
Transfer from Sterling Ranch District No. 7B			57,448	67,604	116,330
Community Support Services Revenue		492,307	1,593,686		
Other Income	6,936		9,965	2,088	207,716
Trash Collection Charges	111,611				
Total Revenues	1,631,533	2,502,889	4,229,088	3,252,481	4,876,231
EXPENDITURES					
Accounting	45,390	179,718	208,935	228,517	212,457
Audit	10,900	11,100	14,000	18,000	167,168
Banking Fees	636	18			2,141
CAB Management	32,400	40,992	1,951	6,005	
Contingency			90		
Dues and Membership	4,219	5,581	11,336	24,923	17,010
Election			7,714		
Insurance and Bonds	194,342	115,184	115,425	137,010	143,648
IT Equipment and Software	86,939	78,151	67,712	157,718	149,355
IT Support	1,185		300		
Investment Advisory Fees	47,594	13,618	9,213		
Legal	486,484	504,834	121,725	117,335	148,249
Promotional Activities	19,280				
Meals	4,374				
Miscellaneous	9,578	43,641	12,691	32,567	39,328
Office Supplies	13,424	8,309	10,145	7,860	255
Rates and Fees Studies	103,113	64,165		124,754	124,930
Recruiting	2,527	2,749	2,948	44	2,992
Salary/ Benefits/ Payroll Tax	636,137	827,868	924,553	2,198,372	2,968,972
Community Support Services	771,238	2,556,259	3,961,449		
Design and Landscape Review	10,572				

	2020	2021	2022	2023	2024
Furniture and Equipment	97,598				
GIS Licensing	268,560	60,500	99,500	74,750	57,500
Janitorial	4,165	5,400			
Lifestyle Events	31,049				
Other Consulting		17,097	27,179	61,178	17,078
Parks Passes	40,000				
Recreation Center Operations	1,208				
Park and Recreation (Landscaping)		61,275			
Parks/Landscape/Streets	379,307	19,296		478,168	126,194
Rent	180,265				
Resident Resource Center (Trailer)	4,891	920			
Traffic and Safety Control		218			
Utilities	132,440	423			
Vehicle Maintenance	16,897	10,534	46,003	86,115	74,748
Fencing Materials					2,873
Interest Payment					6,406
Street Lights					18,270
Waste Management/Collections Services	48,130				
Total Expenditures	3,684,842	4,627,850	5,642,869	3,753,316	4,279,574
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(2,053,309)	(2,124,961)	(1,413,781)	(500,835)	596,657
OTHER FINANCING SOURCES (USES)	( ) ) )	() / /	( ) - ): - )	())	
Note Proceeds	3,926,061	384,083			
Loan Proceeds		, 			595,856
BOK Loan Repayment					(595,856)
SR Entities Advances		3,433,250	3,887,401	2,712,497	
Transfers from Other Funds		103,711	298,923	938,276	509,183
Transfers to Other Funds	(1,307,955)	(2,032,165)	(2,487,316)	(3,893,750)	(938,908)
Total Other Financing Sources (Uses)	2,618,106	1,888,879	1,699,008	(242,977)	(429,725)
NET CHANGE IN FUND BALANCES	564,797	(236,082)	285,227	(743,812)	166,932
BEGINNING FUND BALANCES	34,912	599,709	363,627	648,854	(94,958)
ENDING FUND BALANCES	\$ 599,709	\$ 363,627	\$ 648,854	\$ (94,958)	\$ 71,974

Sources: Audited financial statements of the Issuer for the years ended December 31, 2020 through December 31, 2024.

STERLING RANCH COMMUNITY AUTHORITY BOARD
Summary of Revenues, Expenditures, and Changes in Fund Balances – Water and Wastewater Services Fund

	2020	2021	2022	2023	2024
REVENUES					
Account Setup / Administration Fees	\$ 36,300	\$ 19,708	\$ 27,006	\$ 106,099	\$ 110,749
Storm Drainage Service Fees	58,346	196,093		333,283	635,944
Reimbursed Expenditures					15,532
Wastewater Service Fees	487,469	687,413	1,009,829	1,448,479	1,933,106
Water Service – Construction	1,003,894	872,080	611,708	670,133	1,051,148
Water Service – Residential	746,742	1,321,449	1,870,043	2,443,404	3,223,761
Community Support Services Revenue			263,168		
Water & Sewer Permit Connection Fees	78,150	120,800	92,800	64,000	92,650
Total Revenues	2,410,901	3,217,543	3,874,554	5,065,398	7,062,890
EXPENDITURES					
Billing and Administration	95,286	75,388	84,876	120,570	175,411
Billing System	15,605	7,640	1,467		
Engineering and Management	3,997		2,983		
Utilities – Water	677		651	435	3,662
Other O&M		677	15,592	122	978
Dominion - Construction Water	1,194,287	841,167	424,707	542,141	894,431
Dominion - Residential Wastewater	322,047	565,899	610,314	767,095	1 ,072,864
Dominion – Irrigation Taps	141,674	110,542	203,135		
Dominion - Residential/Commercial/Irrigation Water	630,188	874,028	1,571,201	1,949,509	2,781,694
Total Expenditures	2,403,761	2,475,341	2,914,926	3,379,872	4,929,040
EXCESS OF REVENUE OVER (UNDER)	7.140	7.12.202	050 (20	1 (05 52(	2 122 050
EXPENDITURES	7,140	742,202	959,628	1,685,526	2,133,850
OTHER FINANCING SOURCES (USES)	2.072.205	151 272			
Note Proceeds	2,072,385	151,373	2 217 206	2 100 777	
SR Entities Advances	0.020	2,390,770	2,317,396	3,180,767	
Transfers from Other Funds	8,828	1,656,111	(2 (45 (10)	(4.201.052)	(1.724.022)
Transfers to Other Funds	(2,421,534)	(4,468,178)	(3,645,618)	(4,391,853)	(1,734,833)
Total Other Financing Sources (Uses)	(340,321)	(269,924)	(1,328,222)	(1,211,086)	(1,734,833)
NET CHANGE IN FUND BALANCES	(333,181)	472,278	(368,594)	474,440	399,017
BEGINNING FUND BALANCES	520,607	187,426	659,704	291,110	765,550
ENDING FUND BALANCES	\$ 187,426	\$ 659,704	\$ 291,110	\$ 765,550	\$1,164,567

Sources: Audited financial statements of the Issuer for the years ended December 31, 2020 through December 31, 2024.

# STERLING RANCH COMMUNITY AUTHORITY BOARD Summary of Revenues, Expenditures, and Changes in Fund Balances – Debt Service Fund (2020 Bonds)

	2020	2021	2022	2023	2024
REVENUES					
Net Investment Income	\$ 131	\$ 768	\$ 38,008	\$ 138,391	\$ 162,631
Transfers from District No. 2		1,827,699	2,145,308	2,185,917	3,036,562
Bond Premium	488,760				
Bond Issuance	40,000,000				
Total Revenues	40,488,891	1,828,467	2,183,316	2,324,308	3,199,193
EXPENDITURES					
Trustee / Paying Agent Fees		6,000	3,500	9,500	7,050
Bond Interest	102,061	1,767,559	1,727,331	1,711,442	1,684,776
Bond Principal		75,000	423,000	619,000	1,335,000
Cost of Issuance	952,264	50,553			
Total Expenditures	1,054,325	1,899,112	2,153,831	2,339,942	3,026,826
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	39,434,566	(70,645)	29,485	(15,634)	172,367
OTHER FINANCING SOURCES (USES)					
SR Entities Cash Advances				3,500	
Transfers from Other Funds		45,994			5,500
Transfers to Other Funds	(24,394,674)	(12,987,288)			
Total Other Financing Sources (Uses)	(24,394,674)	(12,941,294)		3,500	5,500
NET CHANGE IN FUND BALANCES	15,039,892	(13,011,939)	29,485	(12,134)	177,867
BEGINNING FUND BALANCES		15,039,892	2,027,953	2,057,438	2,045,304
ENDING FUND BALANCES	\$15,039,892	\$ 2,027,953	\$2,057,438	\$2,045,304	\$2,223,171

Sources: Audited financial statements of the Issuer for the year ended December 31, 2020 through December 31, 2024.

# STERLING RANCH COMMUNITY AUTHORITY BOARD Summary of Revenues, Expenditures, and Changes in Fund Balances – Capital Projects Fund (General and Preconstruction)

	2020	2021	2022	2023	2024
REVENUES					
Public improvement fees	\$ 8,358	\$ 9,981	\$ 11,158	\$	\$16,224
Reimbursed expenditures	102	12,800	676,000		
Other income			113,500		
Total Revenues	8,460	22,781	800,658		16,224
EXPENDITURES					
Accounting	156,714				
CAB management	112,834				
Contingency		84,036	1,424		
Costs Verifications/Certifications	25,550	29,820	40,482	24,458	32,007
Legal	413,045		10,147	7,572	69,030
LOC fees		30,056	5,000		
Salaries/ Benefits/ Payroll tax	662,655	620,464	476,629	399,996	
Other Consulting		1,475			
Insurance and bonds	5,850				
Miscellaneous	84				
Parks/Landscape/Streets	630,144	192,575	239,231	170,789	222,330
Parks and Recreation (Landscaping)		9,297	135,524		175,407
Civic Center improvements	193				
Dry utilities			281,569		
GIS Licensing	11,250				
Permits	3,401				
Engineering and Management	1,414,479	1,329,730	510,117	500,943	547,198
Sanitation	173,776	1,882,205	213,256	102,218	208,863
Streets	205,901	405,747	340,099	89,115	1,257,765
Streets - Grading and Erosion		2,264,216	962,041		
Storm Sewer		2,572,338	1,985,400	205,438	808
Technology Integration	135,461	21,071	2,750		
Traffic and Safety Control	6,156	1,860	1,593		
Water	327,795	912,625	252,065		
Waterton Road	6,947		4,918,839		<del></del>
Total Expenditures	4,292,235	10,357,515	10,376,166	1,500,529	2,513,408
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(340,079)	(10,334,734)	(9,575,508)	(1,500,529)	(2,497,184)
OTHER FINANCING SOURCES (USES)	(= 1)111	( -) ) )	(- ) ) )	( ) )-	( ) ) - )
SR Entities Advances		2,310,140	7,452,853	581,290	231,553
Repayment to SR Entities			(5,353,920)		
Note Proceeds	2,075,521	1,074,350	302,387		
Transfers from Other Funds	1,868,175	7,251,864	7,074,025	986,896	4,987,175
Transfers to Other Funds		(6,386)	(19,630)	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	(2,544,111)
Total Other Financing Sources (Uses)	3,943,696	10,629,968	9,455,715	1,568,186	2,674,617
NET CHANGES IN FUND BALANCE	(340,079)	295,234	(119,793)	67,657	177,433
BEGINNING FUND BALANCES	(404,282)	(744,361)	(449,127)	(568,920)	(501,263)
ENDING FUND BALANCES	\$ (744,361)	\$ (449,127)	\$ (568,920)	\$ (501,263)	\$ (323,830)

Sources: Audited financial statements of the Issuer for the years ended December 31, 2020 through December 31, 2024.

## STERLING RANCH COMMUNITY AUTHORITY BOARD Summary of Revenues, Expenditures, and Changes in Fund Balances Capital Projects Fund – Filing 2-14 – Trunk Improvements

	2020	2021	2022	2023	2024
REVENUES					
Facilities Fees	\$ 2,471,800	\$ 3,040,900	\$ 2,794,000	\$572,790	\$ 3,807,210
Net Investment Income	8,820	176,536			
Other Income	1,380			3,549	3,361
Reimbursed Expenditures	1,917,242	3,618,854	1,717,932	300,000	
Account Setup / Admin Fees		75,606			
Tap Fees	2,011,660	2,483,440	1,050,000	749,870	3,190,640
Total Revenues	6,410,902	9,395,336	5,561,932	1,626,209	7,001,211
EXPENDITURES					[to be
Accounting/Engineer costs certification/other	1,410				updated]
CDOT fees	1,557,766				
Legal	11,708				
Back charge	42,129	58,887		3,704	
Dry utilities	26,316	748,625	331,942	99,005	
Dominion – construction water		2,283			
Engineering and Management	3,390,830	2,483,477	1,865,087	1,302,270	
Miscellaneous/Contingency	56,702	442,191	8,409	11,557	
Permits	2,598				
Overlot grading		50,075			
Parks and Recreation (Landscaping)	5,503,390	3,703,224	1,709,336	2,085,243	
Project Management Fee	231,947	155,400	141,189	47,241	
Streets	7,126,997	7,074,939	4,680,458	848,539	
Streets - Other engineering/consulting		180,860			
Streets - Grading and Erosion	3,481,149	5,366,778	1,859,031	76,364	
Sanitation	1,333,739	1,105,935	743,615		
Storm Sewer	4,629,644	3,712,786	950,954	306,734	
Traffic and Safety Control	276,072	58,269			
Water	5,633,485	2,068,062	69,928		
Total Expenditures	33,305,882	27,211,791	12,359,949	4,790,688	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,894,980)	(17,816,455)	(6,798,017)	(3,164,479)	
OTHER FINANCING SOURCES (USES)					
Note Proceeds	77,573	1,178,210			
SR Entities Advances		5,127,171	10,703,775	1,585,319	
Repayment to Sterling Ranch Entities				(20,287,554)	
Transfers from Other Funds	23,920,648	9,124,337	208,930	21,514,551	
Transfers to Other Funds	(324,015)	(3,587,963)	(4,199,444)	(2,378,678)	
Total Other Financing Sources (Uses)	23,674,206	11,841,755	6,713,261	433,638	
NET CHANGES IN FUND BALANCES	(3,220,774)	(5,974,700)	(84,756)	(2,730,841)	
BEGINNING FUND BALANCES	10,726,983	7,506,209	1,531,509	1,446,753	(1,284,088)
ENDING FUND BALANCES	\$ 7,506,209	\$ 1,531,509	\$ 1,446,753	\$(1,284,088)	\$ (1,037,515)

Sources: Audited financial statements of the Issuer for the years ended December 31, 2020 through December 31, 2024.

## STERLING RANCH COMMUNITY AUTHORITY BOARD

Summary of Revenues, Expenditures, and Changes in Fund Balances Capital Projects Fund – Filing 2-7 – Intract Improvements

	2024
REVENUES	
Dublic improvement food	[to be updated]
Public improvement fees Reimbursed expenditures	upuateuj
Other income	
Total Revenues	
EXPENDITURES	
Accounting	
CAB management	
Contingency	
Costs Verifications/Certifications	
Legal	
LOC fees	
Salaries/ Benefits/ Payroll tax	
Other Consulting	
Insurance and bonds	
Miscellaneous	
Parks/Landscape/Streets	
Parks and Recreation (Landscaping)	
Civic Center improvements	
Dry utilities	
GIS Licensing	
Permits	
Engineering and Management	
Sanitation	
Streets	
Streets - Grading and Erosion	
Storm Sewer	
Technology Integration	
Traffic and Safety Control	
Water	
Waterton Road	
Total Expenditures	
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	
OTHER FINANCING SOURCES (USES)	
SR Entities Advances	
Repayment to SR Entities	
Note Proceeds	
Transfers from Other Funds	
Transfers to Other Funds	
Total Other Financing Sources (Uses)	
NET CHANGES IN FUND BALANCE	
BEGINNING FUND BALANCES	
ENDING FUND BALANCES	

Sources: Audited financial statements of the Issuer for the years ended December 31, 2020 through December 31, 2024.

### ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Official Statement contains general information concerning historic economic and demographic conditions in and surrounding the County. It is intended only to provide prospective investors with general information regarding the District's community. The information was obtained from the sources indicated and is limited to the time periods indicated. The Issuer and District No. 2 make no representation as to the accuracy or completeness of data obtained from parties other than the Issuer or District No. 2. 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 a history of the population of the City of Arvada, Douglas County, Denver-Aurora-Lakewood Metropolitan Statistical Area ("Denver-Aurora MSA") and the State. The Denver-Aurora MSA is comprised of six metro counties and four bordering counties: Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, and Park.

## Population

	Denver-Aurora							
	Douglas (	County	MSA	4	Colorado			
	_	Percent		Percent	_	Percent		
<u>Year</u>	<b>Population</b>	Change	<b>Population</b>	Change	<b>Population</b>	Change		
1980	25,153		1,450,770		2,889,735			
1990	60,391	140.1%	1,650,489	13.8%	3,294,394	14.0%		
2000	175,766	191.0	2,157,756	30.7	4,301,261	30.6		
2010	285,462	62.4	2,543,482	17.9	5,029,196	16.9		
2020	357,978	25.4	2,963,821	16.5	5,773,733	14.8		
2021	369,787	3.3	2,977,643	0.5	5,811,026	0.6		
2022	375,958	1.7	2,985,929	0.3	5,840,234	0.5		
2023	383,911	2.1	3,004,095	0.6	5,876,300	0.6		

Sources: U.S. Bureau of the Census (1980-2020), and Colorado State Demography Office (2022-2023). Estimates are subject to change.

Age Distribution. The following table sets forth a projected comparative age distribution profile for Douglas County, Denver-Aurora MSA, the State and the nation as of January 1, 2025.

Age Distribution

	Douglas	Denver-Aurora		
Age	County	MSA	Colorado	<b>United States</b>
0-17	21.6%	20.1%	20.1%	21.0%
18-24	9.1	8.5	9.5	9.6
25-34	11.6	16.0	14.9	13.2
35-44	14.4	15.7	14.7	13.2
45-54	14.7	12.9	12.4	12.1
55-64	13.2	11.4	11.5	12.3
65-74	9.3	9.2	10.1	10.7
75 and Older	6.1	6.2	6.8	7.9

Source: ©Claritas, LLC 2025.

#### **Income**

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

## Annual Per Capita Personal Income

		Denver-Aurora		
Year <sup>(1)</sup>	<b>Douglas County</b>	MSA	Colorado	United States
2020	83,137	71,292	64,671	59,114
2021	89,702	79,446	71,676	64,450
2022	97,353	86,141	76,544	66,096
2023	102,928	89,297	79,746	69,418
$2024^{(2)}$	n/a	n/a	82,705	72,425

<sup>(1)</sup> All figures are subject to periodic revisions.

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

The following two tables reflect the Median Household Effective Buying Income ("EBI"), and also the percentage of households by EBI groups. EBI is defined as "money income" (defined below) less personal tax and nontax payments. "Money income" is defined as the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as "disposable" or "after-tax" income.

<sup>(2)</sup> Figures for county and MSA not currently available for 2024; state and nation figures posted March 2025.

# Median Household Effective Buying Income<sup>(1)</sup>

	Douglas	Denver-Aurora		
Year <sup>(2)</sup>	County	MSA	Colorado	United States
2021	95,963	\$70,595	\$64,415	\$56,093
2022	107,129	80,652	73,494	63,680
2023	109,762	81,790	74,827	64,600
2024	113,609	83,469	77,298	67,310
2025	120,968	90,046	81,799	69,245

<sup>(1)</sup> 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: Claritas, ©2021 by Environics Analytics (EA); and ©Claritas, LLC 2022-25.

# Percent of Households by Effective Buying Income Groups – 2025 Estimates<sup>(1)</sup>

Effective Buying Income Group	Douglas County	Denver-Aurora MSA	Colorado	United States
Less than \$24,999	4.3%	9.3%	10.9%	14.9%
\$25,000 - 49,999	9.2	15.0	17.4	20.5
\$50,000 - 74,999	11.4	16.2	17.2	18.5
\$75,000 - 99,999	13.5	15.4	15.5	14.6
\$100,000 - 124,999	13.7	12.4	11.9	10.3
\$125,000 - 149,999	11.7	8.3	7.5	6.4
\$150,000 - 199,999	14.3	9.7	8.5	6.4
\$200,000 or More	22.0	13.7	11.1	8.4

<sup>(1)</sup> Estimates are snapshots of income groups on January 1, 2025.

Source: ©Claritas, LLC 2025.

## **Employment**

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

<sup>(2)</sup> Estimates are snapshots of income groups on January 1 each year.

## **Labor Force and Employment**

	Denver-Aurora							
	Doug	las County <sup>(1)</sup>	N	MSA <sup>(1)</sup>	Col	orado <sup>(1)</sup>	States	
	Labor	Percent	Labor	Percent	Labor	Percent	Percent	
<u>Year</u>	<u>Force</u>	<u>Unemployed</u>	<u>Force</u>	<b>Unemployed</b>	Force	<b>Unemployed</b>	<b>Unemployed</b>	
2020	195,728	4.8	1,647,453	7.0	3,082,228	6.8	8.1	
2021	204,135	3.0	1,693,410	5.5	3,149,673	5.5	5.3	
2022	206,883	2.3	1,720,349	3.0	3,186,932	3.1	3.6	
2023	208,510	2.9	1,742,191	3.2	3,230,482	3.2	3.6	
2024	224,147	3.9	1,776,989	4.2	3,267,766	4.3	4.0	
Month of May								
2024	222,682	3.7%	1,763,444	3.9%	3,246,572	3.9%	4.0%	
2025	223,711	4.2	1,773,476	4.5	3,261,493	4.5	4.2	

<sup>(1)</sup> Figures are subject to change. Figures for Douglas County, Denver-Aurora MSA and the State are not seasonally adjusted.

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

The following table sets forth the number of individuals employed within selected Douglas County industries which are covered by unemployment insurance. In 2024, the largest employment sector in Douglas County was professional and technical services (comprising approximately 12.5% of the county's work force), followed, in order, by retail trade; health care and social assistance; and government. For the twelve-month period ending December 31, 2024, total average employment in Douglas County increased by approximately 0.6% as compared to the same twelve-month period ending December 31, 2023.

Average Number of Employees Within Selected Industries - Douglas County

Industry	2019	2020	2021	2022	2023	2024
Agriculture, Forestry, Fishing, Hunting	224	222	248	263	298	255
Mining	291	235	208	191	162	133
Utilities	$n/a^{(1)}$	$n/a^{(1)}$	$n/a^{(1)}$	$n/a^{(1)}$	$n/a^{(1)}$	$n/a^{(1)}$
Construction	9,264	9,704	10,816	10,976	11,270	11,139
Manufacturing	2,012	2,081	2,177	2,355	2,443	2,463
Wholesale Trade	4,635	4,875	5,133	5,950	5,985	6,100
Retail Trade	18,633	17,673	18,041	17,773	18,063	17,661
Transportation & Warehousing	1,578	1,781	2,080	2,198	2,802	2,966
Information	5,215	5,014	4,944	4,825	4,534	4,969
Finance & Insurance	12,780	12,764	13,172	12,594	12,290	12,087
Real Estate, Rental & Leasing	2,022	2,020	2,122	2,191	2,446	2,418
Professional & Technical Services	13,420	13,834	15,764	17,076	18,011	18,416
Management of Companies/Enterprises	3,568	3,512	3,638	3,908	4,419	3,908
Administrative & Waste Services	5,977	5,855	6,156	6,205	6,165	5,735
Educational Services	2,110	1,813	1,996	2,093	2,527	2,639
Health Care & Social Assistance	13,887	14,044	14,783	15,455	16,777	17,064
Arts, Entertainment & Recreation	3,777	2,971	3,018	3,768	3,881	4,000
Accommodation & Food Services	13,144	11,546	12,836	13,678	14,167	14,632
Other Services	4,150	3,915	4,221	4,429	4,970	4,976
Non-classifiable	12	26	39	51	62	25
Government	13,858	13,475	13,527	13,947	15,403	<u>15,441</u>
Total <sup>(2)</sup>	<u>130,787</u>	<u>127,591</u>	<u>135,163</u>	<u>140,193</u>	<u>146,215</u>	147,027

<sup>(1)</sup> Figures set forth do not account for figures that were not listed due to confidentiality.

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

In 2024, the largest employment sector in the Denver-Aurora MSA was government (comprising approximately 13.8% of the metro area's work force), followed in order by professional and technical services; health care and social assistance; accommodations and food services; and retail trade. For the twelve-month period ending December 31, 2024, total average employment in Denver-Aurora MSA decreased approximately 0.4% as compared to the same twelve-month period ending December 31, 2023.

<sup>(2)</sup> Figures may not calculate due to the rounding of averages.

<u>Average Number of Employees Within Selected Industries – Denver-Aurora MSA</u>

Industry	2020	2021	$2022^{(1)}$	$2023^{(1)}$	$2024^{(1)}$
Agriculture, Forestry, Fishing, Hunting	4,474	4,784	4,283	3,714	3,279
Mining	8,890	8,189	8,135	8,149	7,711
Utilities	3,862	3,994	3,925	4,184	4082
Construction	99,317	100,211	103,647	105,342	105,058
Manufacturing	68,996	69,842	71,430	69,442	66,671
Wholesale Trade	72,945	74,016	78,230	78,944	78,476
Retail Trade	132,199	136,873	136,743	138,435	137,426
Transportation & Warehousing	63,941	66,328	70,791	73,557	74,905
Information	51,029	52,452	54,166	52,729	49,201
Finance & Insurance	77,780	79,335	80,400	78,402	75,699
Real Estate, Rental & Leasing	29,892	31,876	33,516	33,754	33,745
Professional & Technical Services	148,522	159,334	174,739	180,509	182,431
Management of Companies/Enterprises	33,912	34,768	35,952	37,065	36,569
Administrative & Waster Services	91,065	95,897	100,764	100,156	97,450
Educational Services	22,261	23,490	25,038	25,913	26,096
Health Care & Social Assistance	159,309	164,087	166,738	174,642	180,305
Arts, Entertainment & Recreation	20,454	22,948	26,833	29,532	30,336
Accommodation & Food Services	111,861	124,448	140,038	145,309	138,150
Other Services	42,384	44,502	47,392	49,500	50,253
Non-Classifiable	140	174	281	531	275
Government	201,055	200,646	204,851	215,464	220,848
Total All Industries <sup>(2)</sup>	<u>1,444,288</u>	<u>1,498,191</u>	<u>1,567,892</u>	<u>1,605,273</u>	<u>1,598,966</u>

<sup>(1)</sup> Figures set forth for 2022-2024 do not account for figures that were not listed due to confidentiality.

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

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

<sup>(2)</sup> Figures may not equal totals due to the rounding of averages.

<u>Largest Private Employers in Douglas County – 2024</u>

		Estimated Number
Employer	Product or Service	of Employees
Charles Schwab	Financial Services	4,214
DISH Network	Satellite TV & Equipment	2,745
Lockheed Martin	Aerospace and Defense Engineering	2,327
HealthONE: Sky Ridge Medical Center	Healthcare	1,378
VISA Debit Processing Services	Financial Services	1,290
Kiewet	Engineering and Construction	1,266
Centura Health: Castle Rock Adventist	Healthcare	1,234
Hospital and Parker Adventist Hospital		
Wind Crest	Assisted Living	870
Kaiser Permanente	Healthcare	688
Zynex Medical Inc.	Medical Equipment Supplier	548

Source: Douglas County Economic Development

### **Retail Sales**

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

<u>Retail Sales</u> (in thousands of dollars)

	Douglas	Percent	Denver-	Percent		Percent
Year	County	Change	Aurora MSA	Change	Colorado	Change
2020	\$13,514,926		\$123,226,572		\$228,812,220	
2021	17,629,400	30.4%	145,015,860	17.7%	268,328,759	17.3%
2022	18,678,762	6.0	161,767,696	11.6	299,923,778	11.8
2023	18,926,448	1.3	161,634,645	(0.1)	302,570,432	0.9
2024	19,358,507	2.3	164,196,426	2.0	309,120,264	2.2
$2025^{(1)}$	5,824,584		51,518,059		97,371,276	

<sup>(1)</sup> Figures as of April 2025

Source: State of Colorado, Department of Revenue, Retail Sales Report, 2020-2024.

## **Building Permits**

The following tables set forth histories of building permits issued in unincorporated portions of unincorporated Douglas County.

Building Permit Issuances in Unincorporated Douglas County

	Residential - New		Multi-Family <sup>(1)</sup>		Commercial - New	
Year	Permits	Value	Permits	Value	Permits	Value
2020	1,023	320,153,533	97	24,931,941	79	43,923,610
2021	1,425	449,907,747	179	61,962,670	90	58,553,830
2022	1,176	370,096,531	377	117,423,065	120	51,943,195
2023	832	276,064,131	150	43,811,344	69	85,543,770
2024	984	323,413,442	92	54,152,741	113	77,497,312
$2025^{(2)}$	444	151,119,547	49	8,698,280	39	19,390,748

<sup>(1)</sup> Includes apartments, condominiums and townhouses.

Source: Douglas County Building Division.

# **Foreclosure Activity**

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

History of Foreclosures – Douglas County

	Number of	Percent
Year	Foreclosures Filed	Change
2020	178 <sup>(1)</sup>	(60.1)%
2021	$46^{(1)}$	(46.1)
2022	197	328.3
2023	209	6.1
2024	228	(29.7)
$2025^{(2)}$	143	

<sup>(1)</sup> The Colorado Division of Housing has advised that, due to a variety of legal restrictions and voluntary decisions by lenders related primarily to COVID-19, the 2020-21 data for foreclosure activity may not accurately reflect the foreclosure activity that would have occurred during 2020-21 absent those restrictions and decisions.

Sources: Colorado Division of Housing (2020) and Douglas County Public Trustee Office (2021-2025).

<sup>(2)</sup> As of June 2025

<sup>(2)</sup> Filings as of July 9, which compares with a total of 108 filings for the same period in 2024.

#### TAX MATTERS

#### General

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Issuer must continue to meet after the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income for federal income tax purposes. The Issuer's failure to meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The Issuer has covenanted in the Indentures to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming the accuracy of certain certifications and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof under federal income tax laws pursuant to existing statutes, regulations, rulings and court decisions, and further, that interest on the Bonds is not a tax preference item for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is further of the opinion that, under the laws of the State of Colorado in effect on the date of issuance of the Bonds, that interest on the Bonds is excludable from taxable income for purposes of the State of Colorado income tax and State of Colorado alternative minimum tax.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Bonds, or the ownership or disposition of the Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in other collateral federal tax consequences, including (a) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, (b) the reduction of the loss reserve deduction for property and casualty insurance companies by the applicable statutory percentage of certain items, including the interest on the Bonds, (c) the inclusion of the interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (d) the inclusion of the interest on the Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (e) the inclusion of interest on the Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these other tax consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions

represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

## **Original Issue Discount and Premium**

Certain of the Bonds ("Discount Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Bond determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (a) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (b) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale, or other disposition of the Discount Bond.

Certain of the Bonds ("Premium Bonds") may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity (or earlier for certain Premium Bonds callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually (or over a shorter permitted compounding interval selected by the owner thereof). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

Owners of Discount Bonds and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable in any period with respect to the Discount Bonds or the Premium Bonds and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

### **Information Reporting and Backup Withholding**

Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information

reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances "backup withholding" at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (a) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (b) furnished the payor an incorrect TIN, (c) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (d) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also with to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

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

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress or in the State legislature that, if enacted into law, could alter or amend one or more of the federal tax matters, or state tax matters, respectively, described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

In addition, that are certain tax-related risks with respect to the Bonds. See "RISK FACTORS – Risk of Internal Revenue Service Audit."

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

See Appendix E for the proposed forms of the Bond Counsel opinions.

#### LEGAL MATTERS

## No Litigation Involving the Issuer

In connection with the issuance of the Bonds, the Issuer states that no litigation of any nature is now pending or threatened, seeking to restrain or to enjoin the execution, issuance, or delivery of the Bonds, the Indentures, or the Bond Resolution, or in any manner questioning the authority or proceedings for the 2013 Election, or the issuance of the Bonds, or the execution and delivery of the Indentures, or affecting the validity or enforceability of the 2013 Election, the Bonds, the Indentures or the Bond Resolution, the pledge or collection of the Senior Bonds Pledged Revenues or the Subordinate Bonds Pledged Revenues under the respective Indenture; and no litigation of any nature is now pending or, threatened, which, if determined adversely to the Issuer, would have a material adverse effect upon the Senior Bonds Pledged Revenues or the Subordinate

Bonds Pledged Revenues, respectively, or the Issuer's ability to comply with its obligations under the Bond Resolution, the Indentures or the Bonds, or to consummate the transactions contemplated thereby. The Issuer's general counsel is expected to render an opinion stating that, to the best of its knowledge, there is no action, suit, proceeding, or investigation at law or in equity before or by any court, public board, or body, pending against or affecting the transactions contemplated by this Official Statement, the Bond Resolution, the Indentures, the Pledge Agreement, the purchase agreement for the Bonds and the Continuing Disclosure Agreement.

## No Litigation Involving District No. 2

In connection with the issuance of the Bonds, District No. 2 states that no litigation of any nature is now pending or threatened, seeking to restrain or to enjoin the execution, issuance, or delivery of the Pledge Agreement, or in any manner questioning the authority or proceedings for the 2013 Election, or the execution and delivery of the Pledge Agreement, or affecting the validity or enforceability of the 2013 Election or the Pledge Agreement, the pledge or collection of the Senior Bonds Pledged Revenues or the Subordinate Bonds Pledged Revenues pledged to the Issuer pursuant to the Pledge Agreement; and no litigation of any nature is now pending or, threatened, which, if determined adversely to District No. 2, would have a material adverse effect upon the Senior Bonds Pledged Revenues or the Subordinate Bonds Pledged Revenues pledged to the Issuer under the Pledge Agreement, respectively, or District No. 2's ability to comply with its obligations under the Pledge Agreement, or to consummate the transactions contemplated thereby. District No. 2's general counsel is expected to render an opinion stating that, to the best of its knowledge, there is no action, suit, proceeding, or investigation at law or in equity before or by any court, public board, or body, pending against or affecting the transactions contemplated by this Official Statement and the Pledge Agreement.

## **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 Issuer and District No. 2, 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 are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the 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 \$424,000 for claims accruing on or after January 1, 2022, and before January 1, 2026; and (b) for an injury to two or more persons in any single occurrence, the sum of \$1,195,000 for claims accruing on or after

January 1, 2022, and before January 1, 2026, except in such instance, no person may recover in excess of \$424,000. These amounts increase every four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index. The Issuer and District may increase any maximum amount that may be recovered from the Issuer or the District for certain types of injuries. However, the Issuer and the District may not be held liable either directly or by indemnification for punitive or exemplary damages unless the Issuer or the District, as applicable, voluntarily pays such damages in accordance with State law. Neither the Issuer nor the District have acted to increase the damage limitations in the Immunity Act.

The Issuer and the District may be subject to civil liability and damages including punitive or exemplary damages under federal laws, and they 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 Issuer and the District may be enjoined from engaging in anti-competitive practices which violate federal and State antitrust laws. However, the Immunity Act provides that it applies to any State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

## **Approval of Certain Legal Proceedings**

Legal matters relating to the issuance of the Bonds, as well as the treatment of interest on the Bonds for purposes of federal and State income taxation, are subject to the approving legal opinions of Greenberg Traurig, LLP, Denver, Colorado, as Bond Counsel. Such opinions, the forms of which are attached hereto as Appendix E, will be dated as of and delivered at closing. Certain legal matters pertaining to the organization and operation of the Issuer and the District will be passed upon by their general counsel, Greenberg Traurig, LLP, Denver, Colorado. Taft Stettinius & Hollister LLP, Denver, Colorado, acted as counsel to the Underwriter in connection with the issuance of the Bonds. Legal fees to Bond Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

### **Certain Constitutional Limitations**

In 1992, the voters of Colorado approved a constitutional amendment which is codified as Article X, Section 20, of the Colorado Constitution (the Taxpayers Bill of Rights or "TABOR"). In general, TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR generally applies to the State and all local governments, including District No. 2 ("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

Issuer and District No. 2, including its ability to generate sufficient revenues for its general operations, to undertake additional programs or to engage in any subsequent financing activities.

<u>Voter Approval Requirements and Limitations on Taxes, Spending, Revenues, and Borrowing</u>. 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.

The District's voters approved election questions at the 2013 Election which authorize the District to retain excess revenues which may otherwise be required by TABOR to be refunded to taxpayers. At the 2013 Election, the obligations represented by the Pledge Agreement were authorized.

Emergency Reserve Funds. TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending, excluding bonded debt service. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves or taxes to compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. The Issuer, pursuant to the Establishment Agreement, maintains all TABOR required emergency reserve funds for the Sterling Ranch Districts including the District.

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

## **Police Power**

The obligations of the Issuer and District No. 2 are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including bankruptcy.

## RATINGS

MATINOS
2025A Senior Bonds. [Rating Agency], ("[_]") is expected to provide the rating set forth on the cover page hereof for the 2025A Senior Bonds, based upon the issuance of the 2025A Senior Bond Insurance Policy at the time of delivery of the 2025A Senior Bonds. Additional information regarding the rating may be obtained from [_] at [discuss; update if we have an underlying rating]
The rating reflects only the views of [], and there is no assurance that any rating will continue for any given period of time after obtained or that it will not be revised downward or withdrawn entirely by [] if, in its judgment, circumstances so warrant. Neither the Issuer (other than pursuant to its obligations under the Continuing Disclosure Agreement) nor the Underwriter have undertaken any responsibility either to bring to the 2025A Owners' attention any proposed change in or withdrawal of such rating or to oppose any such proposed revision. Any such change in or withdrawal of the rating could have an adverse effect on the market price of the 2025A Senior Bonds.
2025B Subordinate Bonds. The 2025B Subordinate Bonds are not rated. The District has not submitted, and does not intend to submit, an application to any securities rating agency with respect to the 2025B Subordinate Bonds.
UNDERWRITING
Piper Sandler & Co., Denver, Colorado (the "Underwriter") has agreed to purchase the 2025A Senior Bonds from the Issuer under a Bond Purchase Agreement (the "Bond Purchase Agreement") at a purchase price equal to \$ (which is equal to the par amount of the 2025A Senior Bonds, less the Underwriter's discount of \$). The Underwriter has agreed to purchase the 2025B Subordinate Bonds from the Issuer under the Bond Purchase Agreement at a purchase price equal to \$ (which is equal to the par amount of the 2025B Subordinate Bonds, [less original issue discount of \$,] less the Underwriter's discount of \$).
OFFICIAL STATEMENT CERTIFICATION
The preparation of this Official Statement and its distribution have been authorized by the Issuer. This Official Statement is hereby duly approved by the Issuer as of the date on the

cover page hereof.

# STERLING RANCH COMMUNITY AUTHORITY BOARD

By:		
	Harold R. Smethills, Jr., President	

# APPENDIX A

# FINANCIAL FORECAST

#### APPENDIX B

#### **BOOK-ENTRY ONLY SYSTEM**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 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 Issuer 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 Issuer 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 Issuer, 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 Issuer 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 Issuer 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 Issuer 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 Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

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

The Issuer 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 Issuer and the Trustee will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC Direct Participant, Indirect Participant or other person not shown on the records of the Trustee as being a registered owner with respect to: the accuracy of any records maintained by DTC, any DTC Direct Participant or Indirect Participant regarding ownership interests in the Bonds; the payment by DTC, any DTC Direct Participant or Indirect Participant of any amount in respect of the principal of or interest or premium, if any, on the Bonds; the delivery to any DTC Direct Participant, Indirect Participant or any Beneficial Owner of any notice which is permitted or required to be given to registered owners under the Authorizing Document, including any notice of redemption; the selection by DTC, any DTC Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by DTC as a registered owner.

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

#### APPENDIX C

# SELECTED DEFINITIONS FROM THE MASTER INDENTURE, THE 2025A SUPPLEMENTAL INDENTURE, THE 2025B SUPPLEMENTAL INDENTURE, AND THE PLEDGE AGREEMENT

### SELECTED DEFINITIONS FROM THE MASTER INDENTURE

Certain definitions from the Master Indenture have been selected for incorporation below to define certain terms that are used in the front part of this Official Statement. The below list of definitions is not intended to be exhaustive and generally excludes definitions that have been parenthetically defined in the front part of the Official Statement.

"Authenticating Agent" means any agent so designated in and appointed pursuant to the Master Indenture.

"Bankruptcy Code" means Title 11 of the United States Code, as amended from time to time.

"Bond" or "Bonds" means any bonds or any other evidences of indebtedness for borrowed money issued from time to time under the Master Indenture pursuant to the terms of a Supplemental Indenture. Pursuant to the Act, the terms "Bond" or "Bonds" shall include notes, interim certificates or receipts, temporary bonds, certificates of indebtedness, debentures and any other obligations, in each case to the extent secured by the Master Indenture.

"Bond Counsel" means Greenberg Traurig, LLP, or any other attorney-at-law or firm of attorneys of nationally recognized standing in matters pertaining to the issuance of bonds or other obligations by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America, and, except as otherwise provided in the Master Indenture or a Supplemental Indenture, selected by the Issuer.

"Business Day" means any day other than (a) a Saturday or Sunday or legal holiday or a day on which banking institutions in any of the cities in which the principal offices of the Issuer, the Trustee, any Paying Agent, the Authenticating Agent, the Bond Registrar and any Credit Facility Provider are located are authorized by law or executive order to close; or (b) a day on which the New York Stock Exchange is closed.

"Code" means the Internal Revenue Code of 1986, as amended from time to time. References to the code and sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the Internal Revenue Code of 1954, as amended to the date of enactment of the Tax Reform Act of 1986, and any successor provisions to those sections, regulations or proposed regulations and, in addition, include all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Bonds.

"Counsel" means an attorney— at— law or law firm satisfactory to the Trustee ( who may be counsel for the Issuer).

*"Fiscal Year"* means the 12-month period constituting the Issuer's fiscal year, currently commencing January 1 and ending December 31, as may be changed by the Issuer.

"Issuer Representative" means (i) the President of the Board of Directors of the Issuer, the Secretary of the Board of Directors of the Issuer, or any other member of the Board of Directors of the Issuer or (ii) any other person designated to act on behalf of the Issuer as evidenced by a written certificate furnished to the Trustee containing the specimen signature of such person and signed for the Issuer by the President of the Board of Directors of the Issuer, the Secretary of the Board of Directors of the Issuer, or any other member of the Board of Directors of the Issuer.

"Junior Bonds" means Bonds subordinate to the Senior Bonds and the Senior Subordinate Bonds but senior to the Junior Subordinate Bonds which are all secured by and payable from the same Pledged Revenue.

"Junior Obligations" means, collectively, the Junior Bonds and any Other Junior Obligations.

"Junior Subordinate Bonds" means Bonds subordinate to the Senior Bonds, the Senior Subordinate Bonds and the Junior Bonds which are all secured by and payable from the same Pledged Revenue.

*"Junior Subordinate Obligations"* means, collectively, the Junior Subordinate Bonds and any Other Junior Subordinate Obligations.

"Obligations" means Senior Bonds, Other Senior Obligations, Senior Subordinate Bonds, Other Senior Subordinate Obligations, Junior Bonds, Other Junior Obligations, Junior Subordinate Bonds and Other Junior Subordinate Obligations.

"Other Junior Obligations" means the Issuer's obligations to pay any Regularly Scheduled Hedge Payment to a Hedge Provider under any Hedge Facility relating to Junior Bonds, to reimburse a Credit Facility Provider for amounts advanced under a Credit Facility relating to Junior Bonds and to pay a Credit Facility Provider for any fees or premiums required with respect to any Credit Facility relating to Junior Bonds.

"Other Junior Subordinate Obligations" means the Issuer's obligations to pay any Regularly Scheduled Hedge Payment to a Hedge Provider under any Hedge Facility relating to Junior Subordinate Bonds, to reimburse a Credit Facility Provider for amounts advanced under a Credit Facility relating to Junior Subordinate Bonds and to pay a Credit Facility Provider for any fees or premiums required with respect to any Credit Facility relating to Junior Subordinate Bonds.

"Other Obligations" means, collectively, Other Senior Obligations, Other Senior Subordinate Obligations, Other Junior Obligations and Other Junior Subordinate Obligations.

"Outstanding" in connection with the Bonds, means, as of the time in question, all Bonds authenticated and delivered under the Master Indenture, except:

(a) Bonds canceled upon surrender, exchange or transfer, or canceled because of payment or redemption at or prior to that time;

- (b) Bonds, or the portion thereof, for the payment, redemption or purchase for cancellation of which sufficient moneys have been deposited and credited with the Trustee or Paying Agent on or prior to that date for that purpose (whether upon or prior to the maturity or redemption date of those Bonds); provided, that, if any of those Bonds are to be redeemed prior to their maturity, notice of that redemption shall have been given or arrangements satisfactory to the Trustee shall have been made for giving notice of that redemption, or waiver by the affected Owners or Consent Parties of the notice satisfactory in form to the Trustee shall have been filed with the Trustee;
- (c) Bonds, or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of the Master Indenture; and
- (d) Bonds in lieu of which others have been authenticated under the Master Indenture.

In determining whether the Owners of a requisite aggregate principal amount of the applicable Series or Tier of Bonds outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Master Indenture, Bonds which are held by or on behalf of the Issuer (unless all of the outstanding Bonds are then owned by the Issuer) shall be disregarded for the purpose of any such determination.

"Owner" or "registered owner" means the registered owner of any Bond; provided that with respect to any Series of Bonds which is insured by a bond insurance policy or otherwise supported by a Credit Facility, such terms for purposes of all consents, directions and notices provided for in the Master Indenture may mean (if so provided in a Supplemental Indenture with respect to Bonds issued thereunder) the issuer of such bond insurance policy or such Credit Facility Provider as long as such policy issuer or such Credit Facility Provider has not defaulted under its policy.

"Paying Agent" or "Co-Paying Agent" means any national banking association, bank, bank and trust company or trust company appointed by the Issuer to serve as paying agent for the Bonds. The Trustee shall serve initially as Paying Agent. "Principal Office" of any Paying Agent shall mean the office thereof designated in writing to the Trustee.

"Senior Bonds" means Bonds senior in payment and lien priority to the Senior Subordinate Bonds, the Junior Bonds and the Junior Subordinate Bonds and which are secured by and payable from the same Pledged Revenue.

"Senior Obligations" means, collectively, the Senior Bonds and any Other Senior Obligations.

"Senior Subordinate Bonds" means Bonds subordinate in payment and lien priority to the Senior Bonds but senior to the Junior Bonds and the Junior Subordinate Bonds which are all secured by and payable from the same Pledged Revenue.

*"Senior Subordinate Obligations"* means, collectively, the Senior Subordinate Bonds and any Other Senior Subordinate Obligations.

"Series" means the Bonds designated as a series of Bonds in a Supplemental Indenture and any Bonds authenticated and delivered in lieu of or in substitution for such Bonds pursuant to any Supplemental Indenture.

"Special Record Date" means such date as may be fixed for the payment of past due interest in accordance with the Master Indenture.

"Supplemental Indenture" means any indenture supplementing or amending the Master Indenture that is executed and delivered pursuant to the Master Indenture.

"Tax Certificate" means any tax certificate or tax regulatory agreement executed by the Issuer on the date of the issuance of any Series of Bonds.

"Tax-Exempt Bonds" means any Bonds issued and delivered pursuant to the Master Indenture, the interest on which is excluded from the federal gross income of the Registered Owners thereof under the Code.

#### SELECTED DEFINITIONS FROM THE 2025A SUPPLEMENTAL INDENTURE

Certain definitions from the 2025A Supplemental Indenture have been selected for incorporation below to define certain terms that are used in the front part of this Official Statement. The below list of definitions is not intended to be exhaustive and generally excludes definitions that have been parenthetically defined in the front part of the Official Statement.

"Accountant" means an independent certified public accountant or firm of such accountants duly licensed to practice and practicing as such under the laws of any state of the United States or of the District of Columbia.

"Additional Senior Bonds" means any additional Senior Bonds issued from time to time hereafter pursuant to the Master Indenture and the terms of a Supplemental Indenture.

"Authorized Denominations" means, with respect to the 2025A Senior Bonds, \$5,000 and any integral multiple thereof, provided that in the event a 2025A Senior Bond is partially redeemed and the unredeemed portion is less than \$5,000, such unredeemed portion of such 2025A Senior Bond may be issued or remain Outstanding in the largest possible denomination of less than \$5,000.

"	Bond Purchase	Agreement"	means	the	Bond	Purchase	Agreement	dated	as	of
, 2025 by and between the Issuer and the Underwriter.										

"Bond Year" means with respect to any Series of Senior Bonds, including the 2025A Senior Bonds, the period commencing on December 2 of each calendar year and ending on December 1 inclusive, of the next calendar year.

"Bondholder" or "holder of Bonds" or "owner of Bonds" means the registered owner of any Senior Bond.

"Calculation Date" means the first day of each Bond Year and the date of the final payment of the Senior Bonds which are Tax-Exempt Bonds.

"County Assessor" means the assessor of the County of Douglas.

"Dated Date" means the date of original issuance of the 2025A Senior Bonds, being , 2025.

"Debt Service" means, with respect to a Series of Senior Bonds, the amount of payments required to be made for principal of and interest on such Series (except for such payments to be made from monies held in an escrow fund or account), including mandatory sinking fund redemptions to be made by the Issuer, scheduled to come due within a specified calculation period, computed as follows:

In determining the amount of principal to be funded in each calculation period, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Bonds in accordance with any amortization schedule established by the governing documents setting forth the terms of such Senior Bonds; and in determining the amount of interest to be funded in each period, interest payable at a fixed rate shall (except to the extent any other subsection of this definition applies) be assumed to be made at such fixed rate and on the required funding dates; and

Except for any historical period for which the actual rate or rates are determinable and except as otherwise provided in the 2025A Supplemental Indenture, interest due and payable on a Series of Senior Bonds that bears interest at a variable rate (whether or not an interest rate swap or similar arrangement applies to such Senior Bonds), shall be calculated at the maximum rate permitted to be borne by such Senior Bonds as provided in the related Supplemental Indenture.

"Debt to Assessed Ratio" means the ratio derived by dividing the then-outstanding Senior Bonds by the most recent Final Assessed Valuation of property within the boundaries of District No. 2 and of property outside the boundaries of District No. 2, but subject to the imposition of the District No. 2 Senior Required Mill Levy.

"District No. 2" means Sterling Ranch Colorado Metropolitan District No. 2.

"District No. 2 Pledge Agreement" means the Amended and Restated Pledge Agreement dated as of November 1, 2020, by and between the Issuer and District No. 2, as the same may be amended from time to time.

"Electronic Means" means telecopy, facsimile transmission, email transmission or other similar electronic means of communication, including a telephonic communication providing evidence of submission confirmed by writing or written transmission.

"Excess Investment Earnings" means the amount described in Section 148(f)(2) of the Code.

*"Final Assessed Valuation"* shall mean the final assessed valuation of all taxable property in District No. 2 subject to the District No. 2 Senior Required Mill Levy, as certified to District No. 2 by the County Assessor in December of each year.

"Government Obligations" means noncallable direct full faith and credit obligations of the United States of America or noncallable obligations the payment of principal of and interest on which is unconditionally guaranteed by the full faith and credit of the United States of America.

"Insurance Policy" means the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the 2025A Bonds when due.

*"Insurer"* means \_\_\_\_\_\_, a New York domiciled financial guaranty insurance company, or any successor thereto or assignee thereof.

*"Interest Account"* means the trust account of that name within the Senior Bonds Fund created under the 2025A Supplemental Indenture.

"Interest Payment Date" means with respect to any Series of Senior Bonds, including the 2025A Senior Bonds, each June 1 and December 1, commencing December 1, 2025.

"Majority Interest" means the Bondholders of at least 51% in aggregate principal amount of the Senior Bonds Outstanding.

"Maturity" when used with respect to any 2025A Senior Bond and any other Senior Bonds, shall mean the date on which the principal thereof becomes due and payable as therein or in the 2025A Supplemental Indenture provided, whether at its Stated Maturity, by earlier redemption, or otherwise.

"Permitted Investments" means any investment or deposit the Issuer is permitted to make under then applicable state law, including, without limitation, Section 24-75-601.1 C.R.S., as amended.

"Permitted Subordinate Bonds" means Subordinate Bonds which may be issued by the Issuer pursuant to the 2025A Supplemental Indenture.

"Principal Account" means the trust account of that name within the Senior Bonds Fund created pursuant to the 2025A Senior Indenture.

"Public Improvements" has the meaning set forth in the Establishment Agreement.

"Rebate Fund" means the Sterling Ranch Community Authority Board Series 2025A Senior Bonds Rebate Fund established and designated as such under the 2025A Senior Indenture.

"Refunding Project" means the refunding and payment in full of all principal of and accrued but unpaid interest on the outstanding 2020 Bonds.

"Regular Record Date" means the fifteenth day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

"Required Holders" means Bondholders of at least 25% in aggregate principal amount of Senior Bonds then Outstanding.

"Reserve Fund Surety Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Insurer providing for the funding of the Reserve Requirement as provided for in the 2025A Senior Indenture and therein.

"Senior Bonds" means the 2025A Senior Bonds and any Additional Senior Bonds issued under the 2025A Supplemental Indenture or under another Supplemental Indenture and under the Master Indenture on parity with the lien of the 2025A Senior Bonds.

"Senior Bonds Fund" means the Sterling Ranch Community Authority Board Limited Tax Supported District No. 2 Senior Bonds Fund established and designated as such in the 2025A Supplemental Indenture for purposes of the Senior Bonds.

*"Senior Bonds Reserve Fund"* means the Sterling Ranch Community Authority Board Limited Tax Supported District No. 2 Senior Bonds Reserve Fund established and designated as such pursuant to the 2025A Supplemental Indenture.

"Senior Bonds Reserve Requirement" means, with respect to the 2025A Senior Bonds the Series 2025A Reserve Requirement and, with respect to any other Series of Senior Bonds, an amount equal to the lesser of (i) 10% of the stated principal amount of such additional Series of Senior Bonds, (ii) the maximum annual Debt Service requirements of such additional Series of Bonds, and (iii) 125% of the average annual Debt Service of such additional Series of Bonds, as set forth and designated as such in a Supplemental Indenture relating to such Senior Bonds.

"Senior Bonds Revenue Fund" means the Sterling Ranch Community Authority Board Limited Tax Supported District No. 2 Senior Bonds Revenue Fund established and designated as such under the 2025A Supplemental Indenture for purposes of the Senior Bonds.

"Senior Specific Ownership Taxes" means the specific ownership taxes remitted pursuant to Section 42-3-107, C.R.S., or any successor statute to District No. 2 as a result of imposition by District No. 2 of the District No. 2 Senior Required Mill Levy, net of any costs of collection.

*"Series 2025A Reserve Requirement"* means the Reserve Requirement for the 2025A Senior Bonds, being \$[Required Reserve]\*.

<sup>\*</sup> Preliminary; subject to change.

"Special Record Date" means a special record date, which shall be a business day, fixed to determine the names and addresses of Bondholders for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in the 2025A Senior Indenture.

"State" means the State of Colorado.

"Stated Maturity" means, with respect to any 2025A Senior Bonds, the date specified in the 2025A Supplemental Indenture as the fixed date on which principal of such 2025A Senior Bonds is due and payable.

*"Subordinate Bonds"* means the 2025B Subordinate Bonds, and any other Subordinate Bonds issued in compliance with and pursuant to the 2025B Supplemental Indenture and the Master Indenture.

"Underwriter" means Piper Sandler & Co.

#### SELECTED DEFINITIONS FROM THE 2025B SUPPLEMENTAL INDENTURE

Certain definitions from the 2025B Supplemental Indenture have been selected for incorporation below to define certain terms that are used in the front part of this Official Statement. The below list of definitions is not intended to be exhaustive and generally excludes definitions that have been parenthetically defined in the front part of the Official Statement.

"Accountant" means an independent certified public accountant or firm of such accountants duly licensed to practice and practicing as such under the laws of any state of the United States or of the District of Columbia.

"Additional Senior Bonds" means the 2025A Senior Bonds and any additional Senior Bonds, as defined and authorized to be issued in conformance with the 2025B Supplemental Indenture and under the 2025A Supplemental Indenture, and any other Supplemental Indenture amending such 2025A Supplemental Indenture.

*"Additional Subordinate Bonds"* means Subordinate Bonds issued from time to time hereafter pursuant to the 2025B Subordinate Indenture and the terms of a Supplemental Indenture, supplementing the 2025B Supplemental Indenture.

"Authorized Denominations" means, with respect to 2025B Subordinate Bonds, \$500,000 and any integral multiple of \$1,000 in excess thereof, provided that in the event a 2025B Subordinate Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such 2025B Subordinate Bond may be issued or remain Outstanding in the largest possible denomination of less than \$500,000, in integral multiples of \$1,000.

"Bondholder" or "holder of Bonds" or "owner of Bonds" means the registered Bondholder of any Subordinate Bond.

"Calculation Date" means the first day of each Bond Year and the date of the final payment of the Subordinate Bonds which are Tax-Exempt Bonds.

"Dated Date" means the date of original issuance of the Series 2025B Subordinate Bonds, being \_\_\_\_\_\_, 2025.

"Discharge Date" means December 16, 2065.

"Electronic Means" means telecopy, facsimile transmission, email transmission or other similar electronic means of communication, including a telephonic communicating providing evidence of submission confirmed by writing or written transmission.

"Excess Investment Earnings" means he amount described in Section 148(f)(2) of the Code.

"Interest Payment Date" means, with respect to any Series of Subordinate Bonds, including the 2025B Subordinate Bonds, each December 15, commencing December 15, 2025.

"Majority Interest" means the Bondholders of at least 51% in aggregate principal amount of the Subordinate Bonds Outstanding.

"Maturity" when used with respect to any 2025B Subordinate Bond and any other Subordinate Bond, shall mean the date on which the principal thereof becomes due and payable as therein or in the 2025B Supplemental Indenture provided, whether at its Stated Maturity, by earlier redemption, or otherwise.

"Permitted Investments" means any investment or deposit the Issuer is permitted to make under then applicable state law, including, without limitation, Section 24-75-601.1 C.R.S., as amended.

*"Rebate Fund"* means the Sterling Ranch Community Authority Board Series 2025B Subordinate Bonds Rebate Fund established and designated as such under the 2025B Subordinate Indenture.

"Refunding Bonds" means any Series of Subordinate Bonds issued pursuant to the 2025B Subordinate Indenture to refund, pay, and discharge all or any portion of any other Series of Subordinate Bonds.

"Regular Record Date" means the last day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date.

"Required Holders" means Bondholders of at least 25% in the aggregate principal amount of Subordinate Bonds then Outstanding.

*"Senior Bonds"* means the 2025A Senior Bonds and any additional bonds issued on parity with the lien of the 2025A Senior Bonds pursuant to the Senior Bonds Indenture.

*"Senior Bonds Indenture"* means the Master Indenture, as supplemented by the 2025A Supplemental Indenture, and any Supplemental Indenture amending and supplementing the Master Indenture pursuant to which such additional Senior Bonds are issued.

"Series" or "Series of Bonds" means the Subordinate Bonds designated in the 2025B Subordinate Indenture or a separate Supplemental Indenture and any Subordinate Bonds authenticated and delivered in lieu of or in substitution for such Subordinate Bonds pursuant to the 2025B Subordinate Indenture or any Supplemental Indenture.

"Series 2025B Subordinate Bond Purchase Agreement" means the Bond Purchase Agreement dated as of \_\_\_\_\_\_\_, 2025 between the Issuer and the Series 2025B Underwriter.

"Series 2025B Underwriter" means Piper Sandler & Co.

"Special Record Date" means a special record date, which shall be a business day, fixed to determine the names and addresses of owners for purposes of paying interest on a special interest payment date for the payment of defaulted interest, all as further provided in the 2025B Subordinate Indenture.

"State" means the State of Colorado.

"Stated Maturity" means, with respect to any 2025B Subordinate Bonds, the date specified in the 2025B Supplemental Indenture as the fixed date on which principal of such 2025B Subordinate Bonds is due and payable.

"Subordinate Bonds" means the 2025B Subordinate Bonds, and any other Senior Subordinate Bonds issued in compliance with the Senior Bonds Indenture and pursuant to the Subordinate Bonds Indenture.

"Subordinate Bonds Fund" means the Sterling Ranch Community Authority Board Limited Tax Supported District No. 2 Subordinate Bonds Fund established and designated as such in the 2025B Subordinate Indenture for purposes of the Subordinate Bonds.

"Subordinate Bonds Indenture" means the 2025B Supplemental Indenture and any Supplemental Indenture amending and supplementing the Master Indenture pursuant to which such additional Subordinate Bonds are issued.

"Subordinate Bonds Revenue Fund" means the Sterling Ranch Community Authority Board Limited Tax Supported District No. 2 Subordinate Bonds Revenue Fund established and designated as such under the 2025B Subordinate Indenture for purposes of the Subordinate Bonds.

"Subordinate Specific Ownership Taxes" means the specific ownership taxes remitted to District No. 2 pursuant to Section 42-3-107, C.R.S., or any successor statute, as a result of imposition by District No. 2 of the District No. 2 Subordinate Required Mill Levy in accordance with the District No. 2 Pledge Agreement, net of any costs of collection.

### SELECTED DEFINITIONS FROM THE PLEDGE AGREEMENT

Certain definitions from the Pledge Agreement have been selected for incorporation below to define certain terms that are used in the front part of this Official Statement. The below

list of definitions is not intended to be exhaustive and generally excludes definitions that have been parenthetically defined in the front part of the Official Statement.

"Annual Obligations Costs" shall mean the Debt Obligations Costs to become due and payable in accordance with the Financing Documents in the applicable Collection Year.

"Board" or "Boards" shall mean the lawfully organized Boards of Directors of the Districts.

"Board of County Commissioners" shall mean the Board of County Commissioners for Douglas County, Colorado.

"Closing Date" means the date on which the 2019A Junior Subordinate Bonds are exchanged for the proceeds representing the purchase price of the 2019A Junior Subordinate Bonds.

"Collection Year" means the calendar year next-succeeding the year in which the Required Mill Levy was imposed.

"Debt Obligations" shall mean any bond, note, loan or financial instrument issued for the purpose of financing and refinancing Actual Capital Costs of Public Improvements (as defined in the Establishment Agreement).

"Debt Obligations Costs" means the debt service on, and related costs in connection with, the District No. 2 Debt Obligations, including, without limitation, payments with respect to regularly scheduled principal payments and interest (including current interest, and accrued and unpaid interest, if any); required replenishment of reserve funds; funding to the required level of surplus funds; funding to the required level of sinking funds; costs of issuance; payments related to any credit enhancement, reserve fund surety policy, liquidity support or interest rate protection for the District No. 2 Debt Obligations; fees and expenses of any financial advisor, trustee, bond registrar, paying agent, authenticating agent, rebate analyst or consultant, legal counsel, accountant and other consultants, calculation agent, remarketing agent, or credit enhancement, liquidity support or interest rate protection provider, and other costs, fees and expenses related to the foregoing and any other amounts required to be paid by any Financing Documents, provided that with respect to the calculation of principal and interest on any District No. 2 Debt Obligations for which there are no regularly scheduled principal payments (i.e., where no mandatory principal sinking fund payment schedule or other mandatory principal payment schedule is established pursuant to the Indenture), Debt Obligations Costs for the applicable Collection Year shall be limited to all interest due on such District No. 2 Debt Obligations in the Collection Year (whether current interest, accrued and unpaid interest, and interest due as a result of compounding, if any) and the greatest amount of principal that can be paid from the revenues produced by the Required Mill Levy in such Collection Year to the extent the District No. 2 Debt Obligations are payable, without premium or penalty, from such amounts, and other amounts required to be paid with respect to such District No. 2 Debt Obligations in such Collection Year pursuant to the Financing Documents.

"Debt to Assessed Ratio" means the ratio derived by dividing the then-outstanding principal amount of Debt Obligations of the Issuer by the most recent Final Assessed Valuation of

property within the boundaries of District No. 2 and within the boundaries of all other Districts which have pledged mill levy revenues to the payment of debt service with respect to Debt Obligations.

"District No. 2 Debt Obligations" shall mean the 2019A Junior Subordinate Bonds, the 2025A Senior Bonds, the 2025B Subordinate Bonds, and any additional Debt Obligations issued by the Issuer for and on behalf of the Taxing District and to which the Issuer has pledged all or any portion of the Pledged Revenues payable hereunder, provided, however that the aggregate principal amount of such District No. 2 Debt Obligations permitted to be issued by the Issuer for and on behalf of the Taxing District shall not exceed \$1,800,000,000 without the prior written consent of the Taxing District and the County and amendment of the Service Plan which would permit the issuance of debt by, or on behalf of, the Taxing District in excess of the foregoing amount.

"District" or "Districts" shall have the meaning set forth in the Indenture.

"Effective Date" shall mean the date on which the Issuer issued the 2019A Junior Subordinate Bonds.

"Electronic Means" shall mean telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

*"Final Assessed Valuation"* means the final assessed valuation of all taxable property in the Taxing District subject to the Required Mill Levy (or, in the case of the other Districts, the final assessed valuation of all taxable property within such Districts and subject to ad valorem property taxes for the payment of Debt Obligations), as certified to the Taxing District (or applicable other District) by the County Assessor in December of each year.

"Financing Documents" shall mean the Indenture (and any supplemental indenture thereto), resolution, reimbursement agreement, indenture, loan agreement, or other agreement entered into or adopted by the Issuer in connection with the issuance of District No. 2 Debt Obligations.

*"Indenture"* means collectively, the Master Indenture, the Series 2019A Supplemental Indenture, the 2025A Senior Indenture, the 2025B Subordinate Indenture, and any other supplemental indenture entered into pursuant to the Master Indenture.

"Issuer" has the meaning set forth in the Pledge Agreement.

"Payment Obligation" shall mean the obligation of the Taxing District to pay the Annual Obligations Costs in accordance with the provisions of the Pledge Agreement, but solely from and to the extent of the Pledged Revenues.

"Pledged Revenues" shall mean the aggregate of the Required Mill Levy Revenue, and Specific Ownership Tax Revenues, each as collected with respect to the taxable property located within the boundaries of the Taxing District.

"Public Improvements" has the meaning set forth in the Establishment Agreement.

"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 Taxing District each year in an amount determined by the Issuer (subject to the requirements of the applicable Financing Documents) and calculated as follows:

- (a) prior to the time when the Debt to Assessed Ratio is 50% or less, the Required Mill Levy shall be determined by the Issuer in accordance with the Financing Documents and be an amount sufficient (taking into account amounts then on deposit in any funds then held and, in accordance with the applicable Financing Documents, available for payment of the applicable District No. 2 Debt Obligations and permitted by the Financing Documents to be taken into account in determining the Required Mill Levy) to pay the principal of, premium if any, and interest on the outstanding District No. 2 Debt Obligations, in the priority of and as the same become due and payable, pursuant to the Financing Documents, with respect to which such District No. 2 Obligations were issued, and to replenish any reserve funds to the applicable reserve fund requirement, if applicable, in accordance with the applicable Financing Documents, but not in excess of 55.664 mills, subject to adjustment as provided in paragraph (c) below, and for so long as the amount on deposit in any surplus fund is less than the required amount, not less than 55.664 mills, subject to adjustment as provided in paragraph (b) below; and
- (b) once the Debt to Assessed Ratio is 50% or less, the Required Mill Levy shall, if thereafter required by the Issuer in accordance with the Financing Documents (regardless of any subsequent increase in the ratio of principal amount of Debt Obligations to the Final Assessed Valuation of the Taxing District and all Districts pledging mill levy revenues to the payment of debt service on Debt Obligations), be an amount sufficient (taking into account amounts then on deposit in any funds with respect to such District No. 2 Debt Obligations and, in accordance with the applicable Financing Documents, available for payment of the applicable District No. 2 Debt Obligations and permitted by the Financing Documents to be taken into account in determining the Required Mill Levy) to pay the principal of, premium if any, and interest on the applicable District No. 2 Debt Obligations as the same become due and payable, and to replenish any reserve funds to the applicable reserve fund requirement (in accordance with the applicable Financing Documents), without limitation of rate and in amounts sufficient to make such payments when due; and
- (c) provided, however, that an increase or decrease to the minimum levy of 55.664 mills (where applicable as provided in (a) above), and the levy cap of 55.664 mills (where applicable as provided in (a) above) shall be made to take into account, legislative or constitutionally imposed adjustments in assessed values or the method of their calculation after the Closing Date, 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; among other adjustments, a change in the ratio of actual valuation of assessable property shall be deemed to be a change in the method of calculating assessed valuation; and

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

"Required Mill Levy Revenue" means revenues generated from the imposition of the Required Mill Levy, net of collection costs.

"Service Plan" shall mean the Service Plan for the Taxing District, as approved by the County, as the same may be amended from time to time.

"Specific Ownership Taxes" shall mean the portion of the specific ownership taxes on motor vehicles imposed by the State attributable to the Required Mill Levy imposed by the Taxing District, which taxes are paid to the Taxing District.

"Specific Ownership Tax Revenues" shall mean the Specific Ownership Tax revenues received by the Taxing District from the State.

"State" shall mean the State of Colorado.

"Supplemental Act" shall mean the Supplemental Public Securities Act, Sections 11-57-201, et seq., C.R.S., as the same may be amended from time to time.

"Taxing District" has the meaning set forth in the Pledge Agreement.

"Termination Date" shall mean the date on which all District No. 2 Debt Obligations permitted to be issued by the Issuer in accordance with the provisions of the Pledge Agreement have been defeased pursuant to the terms of the Financing Documents pursuant to which such District No. 2 Debt Obligations were issued.

# APPENDIX D

# FORM OF CONTINUING DISCLOSURE AGREEMENT

# APPENDIX E

# FORMS OF BOND COUNSEL OPINIONS

# APPENDIX F

# AUDITED FINANCIAL STATEMENTS OF THE ISSUER FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

# APPENDIX G

# AUDITED FINANCIAL STATEMENTS OF DISTRICT NO. 2 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

# APPENDIX H

# SPECIMEN MUNICIPAL BOND INSURANCE POLICY – 2025A SENIOR BONDS



# **MEMORANDUM**

Date: September 03, 2025

**To:** Douglas County (the "County")

From: RBC Capital Markets

Re: RBC Capital Markets' Review of the Sterling Ranch Community Authority Board

Anticipated Limited Tax Supported District No.2 Refunding & Improvement Senior Bonds Series

2025A & Subordinate Series 2025B Bonds

RBC Capital Markets ("RBCCM") reviewed the letter and submittal requirements provided by the Sterling Ranch Community Authority Board ("Sterling Ranch" or the "CAB") regarding its proposed Limited Tax Supported District No.2 Refunding & Improvement Senior Bonds, Series 2025A in an estimated amount of \$38,620,000, to be issued and Limited Tax Supported District No. 2 Subordinate Bonds, Series 2025B in an estimated amount of \$8,068,000 (collectively, the "2025A & 2025B Bonds" or "The Bonds") to determine compliance with section 5.9(m) of the Sterling Ranch Community Authority Board Establishment Agreement ("CABEA") Second Amended and Restated as approved March 18, 2022 and Section VII(G)(13) of the District Service Plans as approved August 27, 2013, and as amended effective July 22, 2205. The requirements of which are:

"Prior to the issuance of any Bonds (excluding refunding Bonds), the CAB and/or the applicable District shall obtain a report, or an updated report if one was previously issued, from a third party market research firm or a market research analyst that has been engaged in analyzing residential and commercial market conditions for at least five (5) years (the "Market Analyst"), stating that it has reviewed the financial projections utilized in sizing the proposed Bond issuance and the CAB's and/or District's ability to meet the debt service requirements of such Bonds including, but not limited to, absorption rates, valuation, growth and inflation rates and has evaluated the same in comparison to current and projected market conditions for Douglas County and/or such other areas deemed by such Market Analyst to be comparable, and that such financial projections are reasonable (the "Feasibility Analysis"). The CAB and/or District shall deliver the Feasibility Analysis to the County at least thirty (30) days prior to closing on such Bond issuance. If, within such thirty (30) day period, the Board of County Commissioners objects to the applicable issuance of Bonds as not being supported by the Feasibility Analysis, then it shall be prohibited and constitute a material modification of the Districts' Service Plans requiring an amendment, pursuant to Part XIII of each Service Plan and Section 32-1-207(2), C.R.S. The CAB and/or the applicable District agree to pay the actual and reasonable costs for the County's financial consultant to review the Feasibility Analysis in connection with the proposed Bond issuance."

As a consultant to the County, RBCCM's role is to review the information provided and determine if the anticipated Feasibility Analysis supports the Series 2025A & 2025B Bonds. In our analysis we are reviewing the information provided and indicating any areas of concern for the Douglas County Board of County Commissioners that would warrant requesting material modifications to the Service Plan or to the Series 2025A & 2025B Bonds.

This analysis is based on the assumptions provided within the CliftonLarsonAllen Financial Forecast dated August 15<sup>th</sup>, 2025, (the "Forecast"). In addition, this analysis is based upon the information provided within the current draft of the preliminary Official Statement (the "POS") further describing the anticipated transaction. This memo should not be viewed as an independent economic forecast or as a confirmation of the assumptions relating to the real estate market, residential or commercial development cycles, property values, or home sales within the District or in competing developments

# Overview of Sterling Ranch Metropolitan District No.2

The development supporting the issuance of the Series 2025A & 2025B Bonds is located within the boundaries of the Sterling Ranch Metropolitan District No.2 which is a single-family residential development that comprises a portion of the overall master planned community. District No. 2 is generally located in the "Chatfield Basin" in the northwest portion of the County and is generally bordered on the north by Chatfield State Park, on the east by Santa Fe Drive, on the west by the Hogback Ridge, and on the south by Roxborough Village. The Development consists of 794 single-family lots and the School Site Parcel.

- Single-family homes have been constructed on all 794 lots and sold to third party homeowners. The School Site Parcel is being developed as an elementary school.
- The 2024 certified assessed valuation of District No. 2 is \$45,395,860.

# Summary of the Financial Forecast and the Plan of Finance for the Series 2025A & 2025B Bonds

The following represents the key elements of the Financial Forecast provided by CliftonLarsonAllen LLP based upon the existing assessed value as it relates to the 2025A & 2025B Bonds.

- Residential & Commercial Development: The Forecast indicates full residential buildout with 2024 assessed value of \$45,395,860. Market values are expected to increase by 2% bi-annually during reassessment periods.
- Development Absorption: The Forecast does not anticipate any additional absorption within the District as it is fully built out.
- Series 2025A & 2025B Bonds: The CAB anticipates on issuing the 2025A & 2025B Bonds, in October 2025. The estimated par amounts are as follows:

2025A: \$38,620,0002025B: \$8,068,000

Proceeds are to be used for the following reasons:

- Refunding the Series 2020A and 2020B Bonds
- Finance or refinancing certain public improvements and in connection therewith paying amounts due and owing under certain agreements
- Pay other costs in connection with the issuance of the Series 2025A & 2025B Bonds.
- CAB Revenue: The Series 2025A & 2025B Bonds are anticipated to be paid by the following revenues:
  - Senior Pledged Revenues (Series 2025A). The Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue, defined as: (a) District No. 2 Senior Required Mill Levy Revenue; (b) Specific Ownership Taxes; and (c) any other legally available amounts that the Issuer may designate to be paid to the Trustee for deposit into the Senior Bonds Revenue Fund, or otherwise held under the Senior Indenture.
  - As a result of changes that have occurred in the method of calculating assessed valuation after January 1, 2013, the District Debt Mill Levy Cap is currently calculated at 63.206 mills for collection in 2025.
  - Subordinate Pledged Revenues (Series 2025B). The Subordinate Bonds are structured as cash flow bonds meaning that there are no regularly scheduled payments of principal or interest prior to their maturity date. The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Bonds Pledged Revenues meaning the moneys derived by the Issuer from the following sources, net of any costs of collection: (a) the District No. 2 Subordinate Required Mill Levy Revenue; (b) Specific Ownership Taxes; and (c) any other legally available moneys which the Issuer may designate, by resolution of the Board to be paid to the Trustee for deposit in the Subordinate Bonds Fund.

We believe the bond structure and assumptions are reasonable based on the District's current full build out assumptions and information provided by the District. Based upon the Forecast, no further development is needed to service the debt on the bonds. The District also anticipates that the Series 2025A Bonds will be issued as rated and insured bonds which further validate the assumptions. Based upon the projections and interest rates provided within the Forecast, the Series 2025A Bonds are estimated to paid in full by December 1, 2055. The Series 2025B Bonds are estimated in the Forecast to be paid in fully by December 15, 2055. The 2025B Bonds have a discharge date of December 16, 2065.

### Conclusion

The estimated plan of finance for the Series 2025A & 2025B Bonds refunds outstanding obligations of the CAB and funds new net proceeds. Based on the assumptions made within the Forecast, the existing development and assessed value should be adequate to cover the anticipated debt service on the Series 2025A & 2025B Bonds, as presented. As true with financial projections included in any model for a metropolitan district, the forecasted absorption schedule is based upon certain assumptions with facts and circumstances as we know them today determined by the Market Study. The timing, amounts, and interest rates of the individual bond issues will be subject to market conditions at the time of sale and any credit analysis performed at the time of issuance by potential institutional investors. RBCCM concludes that there are no needs to request a material modification to the Service Plans.