

*In the opinion of Kline Alvarado Veio, P.C., Denver, Colorado, Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds. See “TAX MATTERS” herein.*

## SWEETGRASS METROPOLITAN DISTRICT NO. 2

(in the City of Dacono)  
 WELD COUNTY, COLORADO

**\$8,150,000**

**GENERAL OBLIGATION**

**LIMITED TAX REFUNDING BONDS**

**SERIES 2022A**

**\$1,175,000**

**SUBORDINATE GENERAL OBLIGATION**

**LIMITED TAX REFUNDING BONDS**

**SERIES 2022B**

**Dated: Date of Delivery**

**Due: As shown on the inside front cover**

The Series 2022A Senior Bonds and the Series 2022B Subordinate Bonds, referred to herein collectively as the “Bonds,” are being issued by the District pursuant to two separate Indentures of Trust to be entered into by and between the District and UMB Bank, n.a., Denver, Colorado, as trustee, and contain different provisions regarding, among other things, maturity, principal and interest payment dates, prior redemption and security, and sources and priority of payment. Accordingly, prospective investors are advised to read this Official Statement carefully and in its entirety in order to both understand the differences between the Series 2022A Senior Bonds and the Series 2022B Subordinate Bonds and to make an informed investment decision. *Capitalized terms used on this cover page have the meanings set forth herein.*

The Bonds are being issued for the purposes of refunding the 2018A Loan, purchasing the Policy and the Debt Service Reserve Insurance Policy (for the benefit of the Series 2022A Senior Bonds only), paying costs of issuance in connection with the Bonds, and in the case of the Series 2022A Senior Bonds only, funding a portion of the initial interest to accrue on the Series 2022A Senior Bonds and funding a portion of a reserve fund for the Series 2022A Senior Bonds as described herein.

The Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, the securities depository for the Bonds. Beneficial Ownership Interests in the Bonds, in book-entry only form, may be purchased in minimum denominations of \$5,000 and integral multiples of \$1,000 in excess thereof with respect to the Series 2022A Senior Bonds, and \$500,000 and integral multiples of \$1,000 in excess thereof with respect to the Series 2022B Subordinate Bonds, by or through participants in the DTC system. Beneficial Ownership Interests will be governed as to the payment of principal and interest and the receipt of notices and other communications, transfers and various other matters with respect to the Bonds by the rules and operating procedures applicable to the DTC book entry system as described herein.

The Series 2022A Senior Bonds bear interest at the rates per annum set forth on the inside front cover hereof payable semi-annually on each June 1 and December 1, commencing December 1, 2022, subject to optional and mandatory sinking fund redemption prior to maturity as described herein. The Series 2022B Subordinate Bonds bear interest at the rate per annum set forth on the inside front cover hereof payable annually on December 15, commencing December 15, 2022, to the extent of Subordinate Pledged Revenue available therefor, subject to optional and mandatory redemption prior to maturity as described herein.

### Maturity Schedules on the Inside Front Cover

The Series 2022A Senior Bonds will constitute limited tax general obligations of the District payable solely from the Senior Pledged Revenue and certain District funds and accounts established by the Senior Indenture as described herein. The Senior Pledged Revenue will consist primarily of the revenues derived from a District property tax levy of not more than 53.663 mills commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification, and then not in excess of 51.663 mills commencing with the December 2025 mill levy certification and continuing each year thereafter (subject to adjustment as described herein), less the amount needed for the current and annual reasonable operation, maintenance and administrative obligations of the District (the “O&M Carve Out”), and the portion of the specific ownership taxes on motor vehicles imposed by the State of Colorado that is remitted to the District and is attributable to such tax levy, as described herein. The Series 2022A Senior Bonds will constitute an irrevocable, but nonexclusive, first lien on the Senior Pledged Revenue and the amounts in such funds and accounts. *All Series 2022A Senior Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 31, 2049, regardless of the amount of principal and interest paid on the Series 2022A Senior Bonds prior to such date.*

The Series 2022B Subordinate Bonds will constitute limited tax general obligations of the District payable solely from the Subordinate Pledged Revenue and certain District funds and accounts established by the Subordinate Indenture as described herein. The Subordinate Pledged Revenue will consist primarily of the revenues derived from a District property tax levy of not more than 53.663 mills commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification, and then not in excess of 51.663 mills commencing with the December 2025 mill levy certification and continuing each year thereafter (subject to adjustment as described herein), less the O&M Carve Out, and less the amount levied for purposes of the Series 2022A Senior Bonds, and the specific ownership taxes attributable to such tax levy, as described herein. The Series 2022B Subordinate Bonds constitute an irrevocable, but nonexclusive, subordinate lien on the Subordinate Pledged Revenue and the amounts held in the funds and accounts established by the Subordinate Indenture as described herein. *The Series 2022B Subordinate Bonds are structured as “cash flow” bonds. Interest on the Series 2022B Subordinate Bonds is payable annually to the extent of Subordinate Pledged Revenue available therefor, if any, as described above. There are no scheduled payments of principal of the Series 2022B Subordinate Bonds prior to their maturity date, but rather the Series 2022B Subordinate Bonds are subject to mandatory redemption on each December 15 prior to maturity from and to the extent of any available Subordinate Pledged Revenue, as described herein. All Series 2022B Subordinate Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 31, 2049, regardless of the amount of principal and interest paid on the Series 2022B Subordinate Bonds prior to such date.*

The scheduled payment of principal of and interest on the Series 2022A Senior Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2022A Senior Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**.



**AN INVESTMENT IN THE BONDS, AND IN PARTICULAR THE 2022B SUBORDINATE BONDS, INVOLVES SIGNIFICANT RISK. This cover page is provided for quick reference only. It is not a summary of this issue. Prospective investors should read this Official Statement in its entirety in order to make an informed investment decision, giving particular attention to the matters discussed in “RISKS AND OTHER INVESTMENT CONSIDERATIONS.” The Bonds do not constitute a debt or obligation of the City of Dacono, Weld County, or the State of Colorado.**

*The Series 2022B Subordinate Bonds will be issued by the District solely to a limited number of financial institutions and institutional investors within the meaning of §32-1-103(6.5), C.R.S., as described herein, that have executed an Investor Letter in the form attached as APPENDIX J hereto.*

The Bonds are offered when, as and if issued by the District and accepted by the Underwriter named below, subject to: prior sale; the approving legal opinion of Kline Alvarado Veio, P.C., Denver, Colorado, as Bond Counsel; and certain other matters. Certain matters will be passed upon for the District by White Bear Ankele Tanaka & Waldron, P.C., Centennial, Colorado, as general counsel to the District. Sherman & Howard L.L.C., Denver, Colorado, has served as counsel to the Underwriter in connection with this financing. Kline Alvarado Veio, P.C., has also served as special disclosure counsel to the District and in such capacity has assisted in the preparation of this Official Statement. It is expected that the Bonds will be available for delivery to the Underwriter through the DTC system on or about June 16, 2022.

**WELLS FARGO SECURITIES**

Dated: June 7, 2022

## MATURITY SCHEDULES

### GENERAL OBLIGATION LIMITED TAX BONDS SERIES 2022A

Maturity Date (December 1) <sup>1</sup>	Principal Amount	Interest Rate	Yield	CUSIP <sup>1</sup>
2022	\$220,000	5.000%	2.050%	87043C AA7
2023	120,000	5.000%	2.420%	87043C AB5
2024	145,000	5.000%	2.660%	87043C AC3
2025	150,000	5.000%	2.840%	87043C AD1
2026	145,000	5.000%	2.940%	87043C AE9
2027	150,000	5.000%	3.080%	87043C AF6
2028	170,000	5.000%	3.250%	87043C AG4
2029	180,000	5.000%	3.440%	87043C AH2
2030	195,000	5.000%	3.540%	87043C AJ8
2031	205,000	5.000%	3.660%	87043C AK5
2032	225,000	5.000%	3.760%	87043C AL3
2033	235,000	5.000%	3.860% <sup>2</sup>	87043C AM1
2034	260,000	5.000%	3.930% <sup>2</sup>	87043C AN9
2035	275,000	5.000%	3.950% <sup>2</sup>	87043C AP4
2036	295,000	5.000%	3.960% <sup>2</sup>	87043C AQ2
2037	310,000	5.000%	3.980% <sup>2</sup>	87043C AR0

\$4,870,000    4.000% Term Bond Due December 1, 2048 – Price: 95.133%<sup>3</sup>  
CUSIP<sup>1</sup> No. 87043C AS8

### SUBORDINATE GENERAL OBLIGATION LIMITED TAX BONDS SERIES 2022B

\$1,175,000    7.500% Term Bond Due December 15, 2049 – Price: 100.000%<sup>4</sup>  
CUSIP<sup>1</sup> No. 87043C AT6

- 1 CUSIP is a registered trademark of the American Bankers Association. The CUSIP data included herein has been provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by FactSet Research Systems Inc., and is provided solely for the convenience of the purchasers of the Bonds and only as of the issuance of the Bonds. None of the District, the Senior Indenture Trustee, the Subordinate Indenture Trustee or the Underwriter has any responsibility for the accuracy of such data now or at any time in the future. The CUSIP numbers for the Bonds may be changed after the issuance of the Bonds as the result of various subsequent actions, including, without limitation, a refunding of all or a portion of the Bonds or the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.
- 2 The Series 2022A Senior Bonds maturing on these dates are priced to the first date on which they may be optionally redeemed.
- 3 The Series 2022A Senior Bonds maturing on December 1, 2048 are subject to optional redemption and mandatory sinking fund redemption prior to maturity as described in “THE SERIES 2022A SENIOR BONDS – Redemption Prior to Maturity – *Mandatory Sinking Fund Redemption*.”
- 4 The Series 2022B Subordinate Bonds are subject to optional redemption and mandatory redemption prior to maturity as described in “THE SERIES 2022B SUBORDINATE BONDS – Redemption Prior to Maturity – *Mandatory Redemption*.”

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

\* \* \*

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**(IN THE CITY OF DACONO)**  
**WELD COUNTY, COLORADO**

**Board of Directors and Officers**

Jon Lee, President and Chairman  
Jessica Brothers, Vice President/Assistant Secretary  
Steve Rane, Secretary/Treasurer  
Vacant  
Vacant

**General Counsel**

White Bear Ankele Tanaka & Waldron, P.C.  
Centennial, Colorado

**Trustee, Paying Agent and Registrar**

UMB Bank, n.a.  
Denver, Colorado

**Bond and Special Disclosure Counsel**

Kline Alvarado Veio, P.C.  
Denver, Colorado

**Underwriter**

Wells Fargo Securities, LLC  
Denver, Colorado

**Counsel to the Underwriter**

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

## **PRELIMINARY NOTICES**

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor may the Bonds be sold, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Official Statement has been obtained from sources which are deemed to be reliable, but is not guaranteed as to accuracy or completeness. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

UMB BANK, N.A., BY ACCEPTANCE OF ITS DUTIES AS THE SENIOR INDENTURE TRUSTEE AND THE SUBORDINATE INDENTURE TRUSTEE, HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS AS TO THE INFORMATION CONTAINED HEREIN.

The information and expressions of opinion herein speak only as of the date of this Official Statement and are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information contained herein since the date of this Official Statement. References to website addresses presented herein are for informational purposes only. Such websites and the information or links contained herein are not incorporated into, and are not part of, this Official Statement.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Bonds is made only by means of this entire Official Statement.

This Official Statement is submitted in connection with the initial offering and sale of the Bonds, and may not be reproduced or used, in whole or in part, for any other purpose.

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership thereof) is not required under applicable federal or Colorado securities laws pursuant to exemptions from registration provided in such laws. The Bonds also have not been registered under or otherwise qualified for sale under the “blue sky” laws and regulations of any other state. The District assumes no responsibility for qualification or registration of the Bonds for sale under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred.

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### **Cautionary Statement Regarding Projections, Estimates and Other Forward Looking Statements**

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This Official Statement, and particularly the Financial Forecast and the Assessed Value Appreciation Report, contains statements relating to future results that are “forward looking statements” as defined in the federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” “assume” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements.

Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Series 2022A Senior Bonds or the advisability of investing in the Series 2022A Senior Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading “BOND INSURANCE” and “APPENDIX K – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

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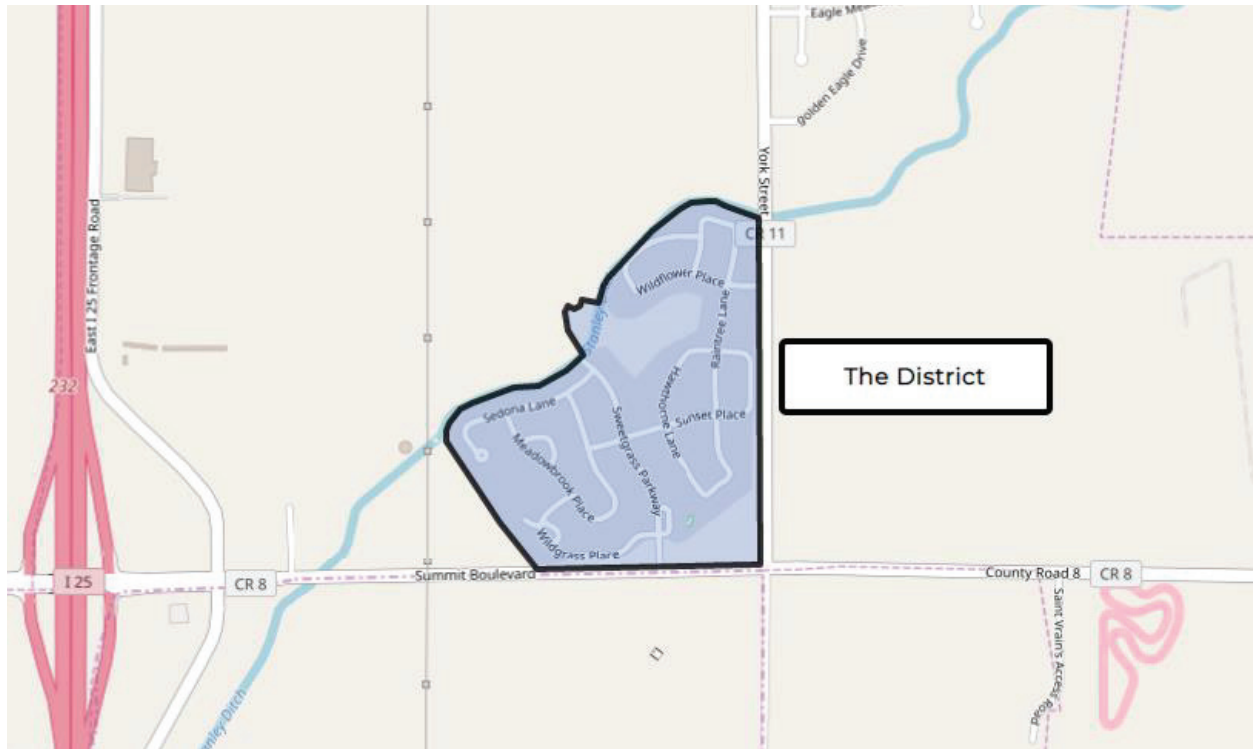
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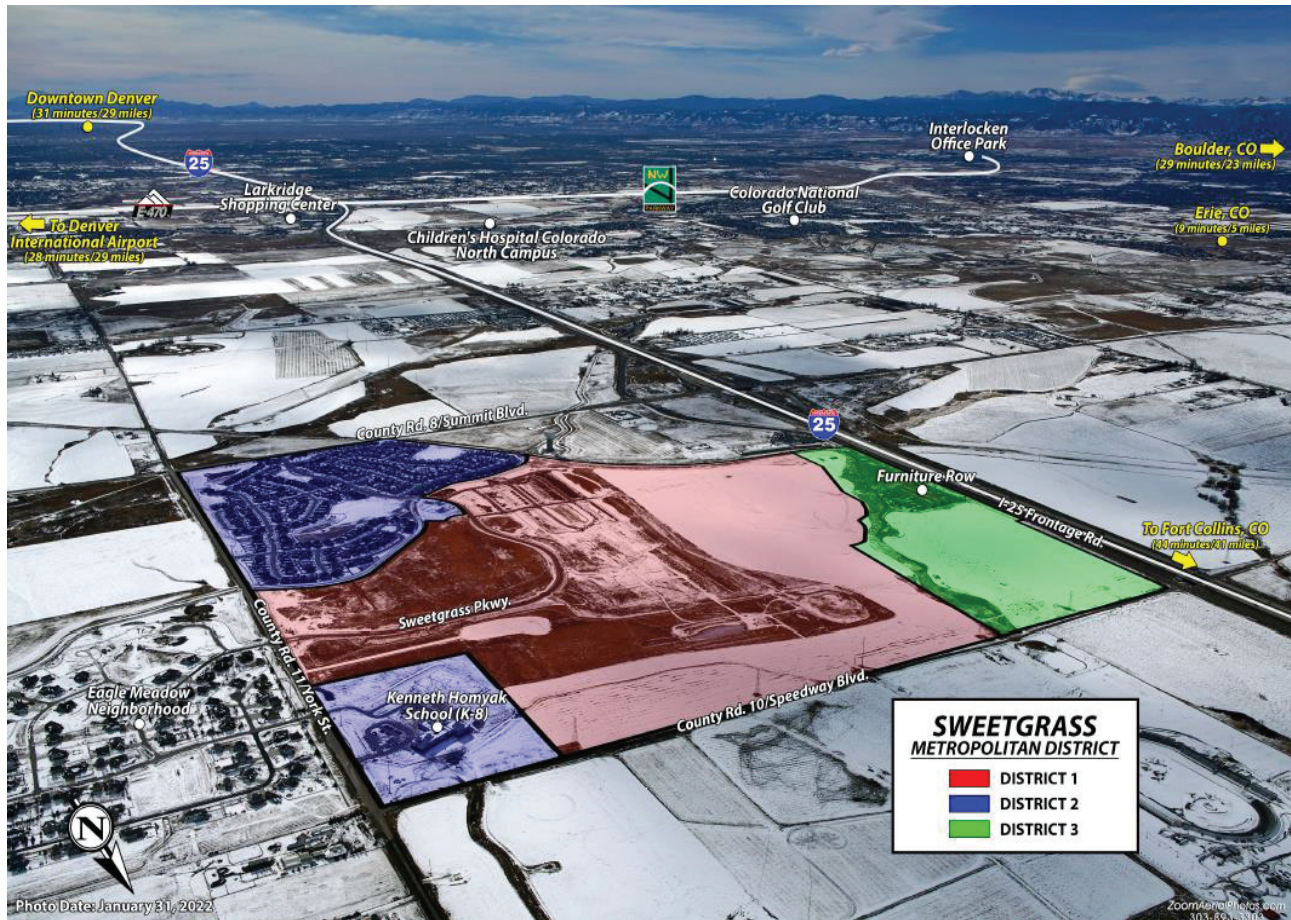


## DISTRICT BOUNDARIES





## AERIAL VIEW OF THE DISTRICT



An aerial video of the District and the immediate vicinity was created on January 29, 2022, and may be viewed at <https://vimeo.com/688090074/d0e2dd8f6d>. The video was created for the District by ZOOM Aerial Photography, LLC, Centennial, Colorado, but is hosted on a third party website over which the District has no control. *Only the property within the District No. 2 (shaded in blue) is subject to taxation to pay debt service on the Bonds.*

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## OFFICIAL STATEMENT

Relating to

### SWEETGRASS METROPOLITAN DISTRICT NO. 2

(IN THE CITY OF DAcono)  
WELD COUNTY, COLORADO

**\$8,150,000**  
**GENERAL OBLIGATION**  
**LIMITED TAX REFUNDING BONDS**  
**SERIES 2022A**

**\$1,175,000**  
**SUBORDINATE GENERAL OBLIGATION**  
**LIMITED TAX REFUNDING BONDS**  
**SERIES 2022B**

## INTRODUCTION

This Official Statement, including the cover page, inside front cover, preliminary notices and appendices, is furnished in connection with the issuance and sale by Sweetgrass Metropolitan District No. 2, in the City of Dacono (the “City”), Weld County, Colorado (the “District”), of its General Obligation Limited Tax Refunding Bonds, Series 2022A, in the aggregate principal amount of \$8,150,000 (the “Series 2022A Senior Bonds”), and its Subordinate General Obligation Limited Tax Refunding Bonds, Series 2022B, in the aggregate principal amount of \$1,175,000 (the “Series 2022B Subordinate Bonds” collectively, the Series 2022A Senior Bonds and the Series 2022B Subordinate Bonds are referred to herein as the “Bonds”).

This Official Statement contains information that either was not available or differs from that contained in the Preliminary Official Statement dated May 26, 2022, including, without limitation, the aggregate principal amounts, interest rates, prices, CUSIP numbers and redemption provisions of the Bonds, the estimated sources and application of the proceeds of the Bonds, the price paid by the Underwriter for the Bonds and other terms of the Bonds that are dependent on these matters, including the final version of the Financial Forecast described herein. The Financial Forecast also includes an alternative hypothetical scenario which was not included in the preliminary version of the Financial Forecast appended to the Preliminary Official Statement. Prospective investors should therefore read this Official Statement in its entirety.

The Series 2022B Subordinate Bonds are being issued only to financial institutions or institutional investors pursuant to §32-1-1101 (6)(a)(I) and (IV), C.R.S., who have executed an investor letter in the form attached as APPENDIX J hereto, and thus the issuance of the Bonds is permitted pursuant to such statute.

*Prospective investors are cautioned that each series of the Bonds is being issued pursuant a separate Indenture of Trust (the “Senior Indenture” and the “Subordinate Indenture,” respectively, and together, the “Indentures”), to be dated as of and entered into on the date of issuance and delivery of the Bonds (the “Issue Date”), by and between the District and UMB Bank, n.a., Denver, Colorado, as trustee thereunder (the “Senior Indenture Trustee” and the “Subordinate Indenture Trustee,” respectively). Moreover, each series of the Bonds contains different provisions regarding, among other things, maturity, principal and interest payment dates, prior redemption and security, and sources and priority of payment. Accordingly, prospective investors are advised to read this Official Statement carefully and in its entirety in order to both understand the differences between the Series 2022A Senior Bonds and the Series 2022B Subordinate Bonds and to make an informed investment decision.*

**THE FOLLOWING SUMMARIZES CERTAIN OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT, DOES NOT PURPORT TO BE COMPLETE AND IS QUALIFIED BY REFERENCE TO THE DETAILED INFORMATION CONTAINED**

**ELSEWHERE IN THIS OFFICIAL STATEMENT. PROSPECTIVE INVESTORS SHOULD READ THE OFFICIAL STATEMENT IN ITS ENTIRETY, INCLUDING THE COVER PAGE, INSIDE FRONT COVER, PRELIMINARY NOTICES AND APPENDICES, IN ORDER TO MAKE AN INFORMED INVESTMENT DECISION.**

## **The District**

**Generally.** The District was created in conjunction with Sweetgrass Metropolitan District No. 1 (“District No. 1”) and Sweetgrass Metropolitan District No. 3 (“District No. 3,” and, together with the District and District No. 1, the “Districts”) pursuant to respective orders and decrees organizing the Districts, each recorded by the District Court of Weld County (the “County”) on July 10, 2002. The Districts were organized pursuant to a consolidated service plan for the Districts approved by the City Council of the City (the “City Council”) on September 24, 2001 (as modified in 2009 and 2010, the “Original Service Plan”). The Original Service Plan was superseded and replaced in its entirety by an Amended and Restated Consolidated Service Plan (the “Service Plan”) which is dated as of November 19, 2021 and was approved by the City Council on November 22, 2021. The Districts were organized for the purpose of providing a part or all of the public improvements for the use and benefit of all anticipated inhabitants and taxpayers of the Districts and as part of a common plan to serve the needs of the “Sweetgrass” development, an approximately 495-acre master-planned community (as defined below, “Sweetgrass” or the “Development”). The Service Plan provides that a multiple-district structure is intended to accommodate the phasing of the Development and the infrastructure needs of each phase. The Service Plan further provides that it is contemplated that the Districts will cooperate with each other on certain infrastructure that benefits the taxpayers and inhabitants therein, and that each of the District, District No. 1, and District No. 3 will additionally have its own particular infrastructure needs. ***Only the District is subject to pay debt service on the Bonds. The property within District No. 1 and District No. 3 is not subject to taxation to pay debt service on the Bonds or otherwise obligated in any manner to pay the Bonds.***

The Districts operate in accordance with the authority, and subject to the limitations, of the Service Plan. Pursuant to the Service Plan and Title 32, Article 1, et seq., Colorado Revised Statutes (“C.R.S.”), as amended (the “Special District Act”), the Districts are authorized to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of streets, traffic and safety controls, water, storm and sanitation, park and recreation, transportation and mosquito control improvements, within and without the boundaries of the Districts to serve the future taxpayers and inhabitants of the Districts, except as specifically limited therein. The Service Plan provides that, subject to certain exceptions set forth therein, the Districts are to dedicate all public improvements to the City or other appropriate jurisdiction or owners’ association, to the extent not owned and operated by the District, subject to the limitations of the Service Plan. The Service Plan further specifies that except for park and recreation improvements and methane and natural gas monitoring system services, the Districts shall not be authorized to operate and maintain any public improvements unless the provision of such operation and maintenance is pursuant to the City IGA (defined herein). See “THE DISTRICT – Certain District Agreements – *City IGA*.”

**Location.** The District is located in the City approximately 0.5 miles east of Interstate 25, the major north-south thoroughfare that runs through the State. County Road 11 (also known as York Street) runs along the western boundary of the District and County Road 8 (also known as Summit Boulevard) runs along the District’s southern boundary. The District is located approximately 25 miles north of downtown Denver and approximately 30 miles northwest of Denver International Airport. The District is also located within 30 miles of Loveland and Boulder, both of which are major employment and population centers in the northern part of the State. The District currently encompasses a total of approximately 413 acres, however, prior to the issuance of the Bonds, a portion of the property in the District (consisting of approximately 277 acres) will be excluded therefrom and included into District No. 1 (referred to herein as the “Excluded Property”). The Excluded Property is not subject to the pay debt service on the Bonds. See “THE DISTRICT – Powers – *Boundary Changes*” as well as “DISTRICT BOUNDARIES” and “AERIAL VIEW OF THE DISTRICT” at the beginning of this Official Statement.



**Assessed Valuation.** The 2021 assessed valuation of taxable property in the District, as certified by the Weld County Assessor (the “County Assessor”) for collection of ad valorem property taxes in 2022, is \$11,727,250. However, such figure includes the Excluded Property, which will not be subject to pay debt service on the Bonds. The Financial Forecast included as Appendix B hereto projects that the assessed value of the property remaining within the District after the exclusion of the Excluded Property will be approximately \$11,411,570. See “APPENDIX B – FINANCIAL FORECAST” and “FINANCIAL FORECAST.” See also “DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – District Property Tax Data.”

## **Existing and Planned Development**

The Districts generally encompasses the “Sweetgrass” master-planned residential and commercial development (“Sweetgrass” or the “Development”). According to the Developer, at full buildout, the Development is anticipated to include approximately 1,800 residential units and approximately 50 acres of commercial and/or industrial development. The Developer has stated that the Development also includes or, in the case of amenities which have not yet been completed, is expected to include various amenities, including greenbelts, trails, neighborhood parks, passive open space and landscaped areas as well as a community swimming pool accessible to residents of Sweetgrass.

According to the Developer, after the exclusion of the Excluded Property, the portion of the Development within the District will consist only of 365 single-family detached lots, of which (as of May 20, 2022) 359 lots have been developed with homes and are occupied by homeowners. The Developer has stated that the remaining six lots are owned by K.B. Home, Inc., a Colorado corporation and homebuilder, which, according to the Developer, intends to construct, market and sell homes on such lots. The Developer anticipates that four of the remaining six lots will be completed and sold to homeowners on or before December 31, 2022 and that the final two lots will be completed and sold to homeowners on or before December 31, 2023. ***Only the portion of the Development that will remain within the District after the exclusion of the Excluded Property, which at full buildout is, according to the Developer, planned to consist of 365 single-family detached homes, will be subject to the Senior Required Mill Levy and the Subordinate Required Mill Levy, and no other portion of the Development (including the Excluded Property) will be subject to such taxes.***

The Developer has represented that the Development was developed by Dacono Properties, LLC, a Colorado limited liability company and a special purpose entity dedicated to Sweetgrass (the “Developer”). The Developer has additionally represented that the Developer is an affiliated entity of Community Development Group (“CDG”), which serves as the umbrella “brand” for multiple real estate projects and over eighty development and investment entities, including the construction and development management company, Bellock Construction Company, Inc., which was established in 1976. According to the Developer, all public improvements planned for the portion of the District that will remain therein after the exclusion of the Excluded Property, including roads, trunk lines for water and sewer, storm drains (including detention ponds), storm water outfalls, parks, raw water irrigation pond/pump stations, and common area landscaping and irrigation systems have been completed.

## **The Bonds Generally**

**Authorization.** The Bonds are being issued under authority of the constitution and laws of the State of Colorado, including, without limitation, the Special District Act and Part 2 of Article 57 of Title 11, C.R.S. (the “Supplemental Public Securities Act”), and pursuant to an authorizing resolution (the “Authorizing Resolution”) adopted by the District’s Board of Directors (the “Board”), and the Indentures. The issuance of the Bonds has also been voter-approved at the District’s election held on November 1, 2005 (the “Election”). See “THE SERIES 2022A SENIOR BONDS – Authorization,” “THE SERIES 2022B SUBORDINATE BONDS – Authorization,” “DISTRICT FINANCIAL INFORMATION – Tax, Revenue and Spending Limitations – TABOR” and “DISTRICT DEBT STRUCTURE – Authorization.”

**Purpose.** The Series 2022A Senior Bonds are being issued for the purposes of (i) refunding the amounts owed to ZB, N.A. d/b/a Vectra Bank Colorado pursuant to the District’s loan agreement dated June 29, 2018 (the “2018A Loan Agreement”) pursuant to which ZB, N.A. d/b/a Vectra Bank Colorado made a loan (the “2018A Loan”) to the District in the maximum amount of \$10,000,000, and the District executed and delivered its 2018A Note (the “2018A Note”) to evidence such 2018A Loan; (ii) funding the Senior Reserve Fund by obtaining the Debt Service Reserve Insurance Policy in the amount of 50% of the Senior Required Reserve (\$587,600), (iii) purchasing the Policy and the Debt Service Reserve Insurance Policy (for the benefit of the Series 2022A Senior Bonds only), and (iv) paying costs of issuance in connection with the Series 2022A Senior Bonds. The Series 2022B Subordinate Bonds are issued for the purpose of: (i) paying and discharging a portion of the 2018A Loan; and (ii) paying costs of issuance in connection with the with the Series 2022B Subordinate Bonds. The 2018A Loan was originally issued by the District to finance the costs of public improvements therein. See “PLAN OF FINANCING.”

**General Provisions.** The Bonds will be dated as of the Issue Date and will bear interest at the rates per annum and mature on the dates set forth on the inside front cover of this Official Statement.

The Series 2022A Senior Bonds will be issued initially in minimum denominations of \$5,000 and integral multiples of \$1,000 in excess thereof (the “Series 2022A Authorized Denominations”), although in the event a Series 2022A Senior Bond is partially redeemed and the unredeemed portion is less than \$5,000, such unredeemed portion of such Series 2022A Senior Bond may be issued in the largest possible denomination of less than \$5,000, in integral multiples of not less than \$1,000 each or any integral multiple thereof. The Series 2022B Subordinate Bonds will be issued initially in minimum denominations of \$500,000 and integral multiples of \$1,000 in excess thereof, although in the event a Series 2022B Subordinate Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such Series 2022B Subordinate Bond may be issued in the largest possible denomination of less than \$500,000, in integral multiples of not less than \$1,000 each or any integral multiple thereof (the “Series 2022B Authorized Denominations” and, together with the Series 2022A Authorized Denominations, the “Authorized Denominations”). See also “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE – General Covenants.”

Interest on the Series 2022A Senior Bonds (computed on the basis of a 360-day year of twelve 30-day months) will accrue from the Issue Date and will be payable semiannually on each June 1 and December 1, commencing December 1, 2022 (each a “Senior Bonds Interest Payment Date”), until the Series 2022A Senior Bonds mature or are redeemed in advance of maturity. The Series 2022A Senior Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described in “THE SERIES 2022A SENIOR BONDS – Redemption Prior to Maturity.”

Interest on the Series 2022B Subordinate Bonds (computed on the basis of a 360-day year of twelve 30-day months) will accrue from the Issue Date and will be payable annually on December 15, commencing December 15, 2022 (each a “Subordinate Bonds Interest Payment Date”), to the extent of Subordinate Pledged Revenue (defined hereafter) available therefor, until the Series 2022B Subordinate Bonds mature or are redeemed in advance of maturity. The Series 2022B Subordinate Bonds are subject to optional and mandatory redemption prior to maturity as described in “THE SERIES 2022B SUBORDINATE BONDS – Redemption Prior to Maturity.”

The Senior Indenture Trustee and the Subordinate Indenture Trustee will serve as the paying agent and registrar for the Series 2022A Senior Bonds and the Series 2022B Subordinate Bonds, respectively.

**Book-Entry Only Form.** The Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will serve as securities depository for the Bonds. Ownership interests in the Bonds (“Beneficial Ownership Interests”), in non-certificated book-entry only form, may be acquired through participants in the DTC system (“DTC Participants”). Beneficial Ownership Interests will be recorded in the name of the

purchasers thereof (“Beneficial Owners”) on the books of the DTC Participants from whom they are acquired, and will be governed as to payment, receipt of notices and other communications, prior redemption, transfers and various other matters with respect to the Bonds by the rules and operating procedures applicable to the DTC book-entry system as described in “THE SERIES 2022A SENIOR BONDS,” “THE SERIES 2022B SUBORDINATE BONDS” and “APPENDIX F – DTC BOOK-ENTRY SYSTEM.” References in this Official Statement to the registered owners of the Bonds (the “Owners”) mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners.

## **Security and Sources of Payment for the Series 2022A Senior Bonds**

***The Senior Trust Estate.*** The Series 2022A Senior Bonds will be payable solely from certain revenues and funds comprising the trust estate under the Senior Indenture (the “Senior Trust Estate”), including the Senior Pledged Revenue described below and amounts on deposit from time to time in the following funds established by the Senior Indenture: the “Sweetgrass Metropolitan District No. 2 General Obligation Limited Tax Bonds, Series 2022A, Bond Fund” (the “Senior Bond Fund”), the “Sweetgrass Metropolitan District No. 2 General Obligation Limited Bonds, Series 2022A, Reserve Fund” (the “Senior Reserve Fund”) and the “Sweetgrass Metropolitan District No. 2 General Obligation Limited Tax Bonds, Series 2022A, Surplus Fund” (the “Surplus Fund”). The Series 2022A Senior Bonds constitute an irrevocable but nonexclusive first lien on the Senior Pledged Revenue and the moneys and earnings thereon held in the Senior Bond Fund, the Senior Reserve Fund and the Surplus Fund, on parity with any future financial obligations issued or incurred by the District in accordance with the Senior Indenture having a lien on the Senior Pledged Revenue or any part thereof payable in whole or in part from moneys described in priorities FIRST, SECOND or THIRD of “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *Application of Senior Pledged Revenue; Flow of Funds*” (“Senior Parity Bonds”). See “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *Additional Bonds Payable from the Senior Pledged Revenue*,” “DISTRICT DEBT STRUCTURE – General Obligations – *Debt Limits – Available Voter-Approved Borrowing Authority*” and “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE – Additional Bonds Payable from the Senior Pledged Revenue.”

***Limited Tax Obligations.*** The Series 2022A Senior Bonds will constitute limited tax general obligations of the District.

***The Senior Pledged Revenue.*** The Series 2022A Senior Bonds will be payable from and to the extent of the following revenue (the “Senior Pledged Revenue”):

- The revenue derived from an ad valorem mill levy imposed upon all taxable property of the District each year at the following rate (less the O&M Carve-out) (the “Senior Required Mill Levy”):
  - › Subject to the paragraph below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount sufficient to fund the Bond Fund for the relevant Bond Year and pay the Bonds as they come due, and if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Required Reserve (defined in the Senior Indenture as \$587,600), but (i) not in excess of 53.663 mills commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification, and then not in excess of 51.663 mills commencing with the December 2025 mill levy certification and continuing each year thereafter, and (ii) for so long as the Surplus Fund is less than the Maximum Surplus Amount (defined in the Senior Indenture as \$293,800), not less than the mill levies set forth above, or such lesser mill levy which will fund the Bond Fund for the relevant Bond Year and pay the Bonds as they come due, will replenish the Reserve Fund to the amount of the Required Reserve, and will fund the Surplus Fund up to the Maximum



Surplus Amount; provided however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2021, the minimum and maximum mill levies provided in the Senior Indenture shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

- › Notwithstanding the foregoing, in no event is the Senior Required Mill Levy to be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Senior Required Mill Levy as calculated above would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Senior Required Mill Levy is to be reduced to the point that such maximum tax increase is not exceeded.
- › "O&M Carve-out" means the current and annual reasonable operation, maintenance and administrative obligations and reasonable budgetary reserves for the District, which shall be an amount equal to \$50,000 in 2022, with such amount increasing by one-percent (1%) annually thereafter.

See "THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *The Senior Pledged Revenue – Senior Required Mill Levy*" and "DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – District Property Tax Data."

- The portion of the State imposed specific ownership tax on vehicles (the "Specific Ownership Tax") which is collected by the County and remitted to the District pursuant to State law which is collected as a result of the imposition of the Senior Required Mill Levy (the "Senior Pledged Specific Ownership Taxes"). See "THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *The Senior Pledged Revenue – Senior Pledged Specific Ownership Taxes*" and "DISTRICT FINANCIAL INFORMATION – Specific Ownership Taxes."
- Any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Senior Indenture Trustee for application as Senior Pledged Revenue.

***The Senior Reserve Fund.*** The Series 2022A Senior Bonds will also be payable, if necessary, from amounts on deposit in the Senior Reserve Fund, which is required to be maintained at all times in the amount of \$587,600 (the "Senior Required Reserve"). This requirement will be satisfied initially by a Municipal Bond Debt Service Reserve Insurance Policy (the "Debt Service Reserve Insurance Policy") in the amount of the Senior Required Reserve to be issued concurrently with the delivery of the Series 2022A Senior Bonds by the Bond Insurer described in "BOND INSURANCE" herein. Amounts in the Senior Reserve Fund are to be applied to pay the Series 2022A Senior Bonds in the event of an insufficiency in the amount on deposit in the Senior Bond Fund or to make the final payments in respect of the Series 2022A Senior Bonds. The Senior Reserve Fund is to be applied to the payment of the Series 2022A Senior Bonds only after all amounts in the Surplus Fund have been applied for such purpose. See "PLAN OF FINANCING – Estimated Application of Bond Proceeds" and "THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *The Senior Reserve Fund*" and "BOND INSURANCE – Build America Mutual Assurance Company."

***The Surplus Fund.*** The Series 2022A Senior Bonds will also be payable, if necessary, from amounts on deposit in the Surplus Fund, which is required to be funded up to the Maximum Surplus Amount of \$293,800 solely from and to the extent of Senior Pledged Revenue received each year in excess of the amount required to pay the principal and interest due in connection with the Series 2022A Senior Bonds and any Senior Parity Bonds and, if necessary, to fund or replenish the Senior Reserve Fund and any reserve funds established in connection any Senior Parity Bonds. Amounts accumulated in the Surplus Fund are to be applied to pay the Series 2022A Senior Bonds in the event of an insufficiency in the amount on deposit in the Senior Bond Fund or to make the final payments in respect of the Series 2022A Senior Bonds, and are to be applied to pay the Series 2022A Senior Bonds prior to application of amounts in the Senior Reserve Fund. See “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *The Surplus Fund*,” “Security and Sources of Payment for the Series 2022B Subordinate Bonds – *The Subordinate Pledged Revenue*” hereafter, and “THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment – *The Subordinate Pledged Revenue*.”

***Result of Insufficiency of Senior Pledged Revenue.*** *The Senior Pledged Revenue and the amounts available in the funds pledged to the payment of the Series 2022A Senior Bonds may not necessarily be sufficient to pay the principal of, premium, if any, and interest on the Series 2022A Senior Bonds when due. However, so long as the District neither fails nor refuses to impose the Senior Required Mill Levy or to apply the Senior Pledged Revenue as required by the Senior Indenture, the inability of the District to pay the principal of, premium, if any, or interest on the Series 2022A Senior Bonds when due will not constitute an event of default under the Senior Indenture (a “Senior Indenture Event of Default”). Any principal of a Series 2022A Senior Bond that is not paid when due will remain outstanding until paid, and any interest on a Series 2022A Senior Bond that is not paid when due will compound semiannually on each Senior Bonds Interest Payment Date at the interest rate borne by such Series 2022A Senior Bond; provided, however, that the District will not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2022A Senior Bonds, and all Series 2022A Senior Bonds will be deemed to be defeased and no longer outstanding upon the payment by the District of such amount.*

***Senior Termination Date.*** Notwithstanding anything in the Senior Indenture to the contrary, all of the Series 2022A Senior Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 31, 2049 (the “Senior Termination Date”), regardless of the amount of principal and interest paid on the Series 2022A Senior Bonds prior to the Senior Termination Date. See also “DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – *General*.”

***Additional Information.*** For additional information regarding the security for the payment of the Series 2022A Senior Bonds and the sources of Senior Pledged Revenue, see generally “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment,” “DISTRICT FINANCIAL INFORMATION,” “DISTRICT DEBT STRUCTURE” and “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE,” as well as “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

## **Security and Sources of Payment for the Series 2022B Subordinate Bonds**

***The Subordinate Trust Estate.*** The Series 2022B Subordinate Bonds will be payable solely from certain revenues and funds comprising the trust estate under the Subordinate Indenture, including the Subordinate Pledged Revenue described below and amounts on deposit from time to time in the following fund established by the Subordinate Indenture: the “Sweetgrass Metropolitan District No. 2 Subordinate General Obligation Limited Tax Bonds, Series 2022B, Bond Fund” (the “Subordinate Bond Fund”). The Series 2022B Subordinate Bonds constitute an irrevocable but nonexclusive lien on the Subordinate Pledged Revenue and the moneys and earnings thereon held in the Subordinate Bond Fund, on parity with any other bonds, notes, debentures or other multiple fiscal year financial obligations payable in whole or in part from the Subordinate Pledged Revenue available under the first priority in “THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment – *Application of the Subordinate Pledged Revenue; Flow of Funds*.” See also “THE SERIES 2022B SUBORDINATE BONDS – Additional Bonds

Payable from the Subordinate Pledged Revenue – *Other Subordinate Bonds*” and “DISTRICT DEBT STRUCTURE – General Obligations – *Debt Limits – Available Voter-Approved Borrowing Authority.*”

The Series 2022B Subordinate Bonds constitute Subordinate Bonds under each of the Indentures. Accordingly, to the extent any revenues are pledged under the Indentures to both the Series 2022A Senior Bonds and the Series 2022B Subordinate Bonds, the lien thereon of the Series 2022B Subordinate Bonds is junior and subordinate in all respects to the lien of the Series 2022A Senior Bonds and any other Senior Parity Bonds issued hereafter. See “THE SERIES 2022A SENIOR BONDS – Additional Bonds Payable from the Senior Pledged Revenue” for a discussion of the ability of the District to issue additional Senior Parity Bonds.

***Limited Tax Obligations.*** The Series 2022B Subordinate Bonds will constitute limited tax general obligations of the District which are payable on a basis that is subordinate to the Series 2022A Senior Bonds.

***The Subordinate Pledged Revenue.*** The Series 2022B Subordinate Bonds will be payable from and to the extent of the following revenue (the “Subordinate Pledged Revenue”):

- The revenue derived from an ad valorem mill levy imposed upon all taxable property of the District each year at the following rate (less the O&M Carve-out) (the “Subordinate Required Mill Levy”):
  - › Subject to the paragraph below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount not in excess of 53.663 mills commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification, and then not in excess of 51.663 mills commencing with the December 2025 mill levy certification and continuing each year thereafter, less the amount of the Senior Bond Mill Levy, or such lesser mill levy which will fund the Subordinate Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full; provided however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2021, the minimum and maximum mill levies provided in the Subordinate Indenture shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation. It is the intent of the Subordinate Indenture that if the amount of the Senior Bond Mill Levy equals or exceeds the mill levies set forth above in any year, adjusted for changes as aforesaid, the Subordinate Required Mill Levy for that year shall be zero.
  - › Notwithstanding the foregoing, in no event is the Subordinate Required Mill Levy to be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District’s electoral authorization, and if the Subordinate Required Mill Levy as calculated above would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District’s electoral authorization, the Subordinate Required Mill Levy is to be reduced to the point that such maximum tax increase is not exceeded.

- › “O&M Carve-out” means the current and annual reasonable operation, maintenance and administrative obligations and reasonable budgetary reserves for the District, which shall be an amount equal to \$50,000 in 2022, with such amount increasing by one-percent (1%) annually thereafter.

*It is the intent of the Subordinate Indenture that if the amount of the Senior Bond Mill Levy equals or exceeds the mill levies set forth above for any year, adjusted as aforesaid, the Subordinate Required Mill Levy for that year will be zero.*

See “THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment – *The Subordinate Pledged Revenue – Subordinate Required Mill Levy*,” “Security and Sources of Payment for the Series 2022A Senior Bond – *The Senior Pledged Revenue*” above in this section, “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *The Senior Pledged Revenue – Senior Required Mill Levy*,” “DEBT SERVICE REQUIREMENTS,” and “DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – District Property Tax Data.”

- The portion of the Specific Ownership Tax which is collected as a result of the imposition of the Subordinate Required Mill Levy (the “Subordinate Pledged Specific Ownership Taxes”). See “THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment – *The Subordinate Pledged Revenue – Subordinate Pledged Specific Ownership Taxes*” and “DISTRICT FINANCIAL INFORMATION – Specific Ownership Taxes.”
- Any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Subordinate Indenture Trustee for application as Subordinate Pledged Revenue.
- The Subordinate Indenture additionally provides that the District shall cause to be immediately transferred to the Subordinate Indenture Trustee, for deposit to the Subordinate Bond Fund (and application to payment of the Bonds), all amounts released from the Surplus Fund upon the final payment of the Series 2022A Senior Bonds in accordance with the Senior Indenture. See “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *The Surplus Fund*.”

***Cash Flow Nature of the Series 2022B Subordinate Bonds; Result of Insufficiency of Subordinate Pledged Revenue.*** The Series 2022B Subordinate Bonds are structured as “cash flow” bonds. Interest on the Series 2022B Subordinate Bonds is payable on each Subordinate Bonds Interest Payment Date to the extent of any Subordinate Pledged Revenue available therefor. There are no scheduled payments of principal of the Series 2022B Subordinate Bonds prior to their maturity date, but rather the Series 2022B Subordinate Bonds are subject to mandatory redemption on December 15 of each year, commencing December 15, 2022 (each a “Series 2022B Subordinate Bonds Mandatory Redemption Date”), to the extent of moneys on deposit, if any, in the Subordinate Mandatory Redemption Account of the Subordinate Bond Fund 45 days prior to the applicable Series 2022B Subordinate Bonds Mandatory Redemption Date, and subject to any minimum requirements with respect to the principal amount of Series 2022B Subordinate Bonds to be redeemed as provided in the Subordinate Indenture, as more particularly described in “THE SERIES 2022B SUBORDINATE BONDS – Redemption Prior to Maturity – *Mandatory Redemption – Security and Sources of Payment – Subordinate Bond Fund*.”

*The Subordinate Pledged Revenue and the amounts available in the funds pledged to the payment of the Series 2022B Subordinate Bonds may not necessarily be sufficient to pay the principal of, premium, if any, and interest on the Series 2022B Subordinate Bonds when due. However, so long as the District neither fails nor refuses to impose the Subordinate Required Mill Levy or to apply the Subordinate Pledged Revenue as required by the Subordinate Indenture, the inability of the District to pay the principal of, premium, if*



*any, or interest on the Series 2022B Subordinate Bonds when due will not constitute an event of default under the Subordinate Indenture (a “Subordinate Indenture Event of Default”). Any principal of a Series 2022B Subordinate Bond that is not paid when due will remain outstanding until either paid or the Subordinate Termination Date discussed hereafter, and any interest on a Series 2022B Subordinate Bond that is not paid when due will compound annually on each Subordinate Bonds Interest Payment Date at the interest rate borne by such Series 2022B Subordinate Bond; provided, however, that the District will not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2022B Subordinate Bonds, and all Series 2022B Subordinate Bonds will be deemed to be defeased and no longer outstanding upon the payment by the District of such amount.*

***Subordinate Termination Date.*** Notwithstanding anything in the Subordinate Indenture to the contrary, all of the Series 2022B Subordinate Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 31, 2049 (the “Subordinate Termination Date”), regardless of the amount of principal and interest paid on the Series 2022B Subordinate Bonds prior to the Subordinate Termination Date. See also “DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – General.”

***Additional Information.*** For additional information regarding the security for the payment of the Series 2022B Subordinate Bonds and the sources of Subordinate Pledged Revenue, see generally “THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment,” “DISTRICT FINANCIAL INFORMATION,” “DISTRICT DEBT STRUCTURE” and “APPENDIX E – SELECTED PROVISIONS OF THE SUBORDINATE INDENTURE,” as well as “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

## **Bond Insurance**

Concurrently with the issuance of the Series 2022A Senior Bonds, Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) will issue its Municipal Bond Insurance Policy for the Series 2022A Senior Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2022A Senior Bonds when due as set forth in the form of the Policy included as “APPENDIX K” to this Official Statement.

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

## **Assessed Value Appreciation Report**

An analysis of the annual appreciation of residential market values in the District dated January 22, 2022 and revised on May 13, 2022 (the “Assessed Value Appreciation Report”) has been prepared for the District by King & Associates Inc., Littleton, Colorado (“King”) and is appended to this Official Statement as “APPENDIX C – ASSESSED VALUE APPRECIATION REPORT.” King examined residential market value trends in the City of Dacono and the Greeley market areas (including all of Weld County) and has projected that the actual value of homes in the District will appreciate at an annual rate of 3% (6% biennially) through 2049, which assumption has been used in the Financial Forecast discussed in the following section to forecast the projected payment schedule of the Bonds. The Assessed Value Appreciation Report should be read in its entirety for an understanding of the methodology and the underlying assumptions contained therein. *The Assessed Value Appreciation Report is based on key assumptions and, like any forecast, is inherently subject to variations in the assumed data. Past increases in assessed value are not a guarantee that assessed values will increase in the future. Further, assessed values are likely to decrease in certain future years even if the overall trend of assessed values is to increase in the future. Actual results will vary from those projected, and such variations may be material. Further, the Assessed Value Appreciation Report was completed during the COVID-19 outbreak. At the time of the Assessed Value Appreciation Report, the*

*impacts of COVID-19 upon national and local real estate markets had not been fully determined. The findings in the Assessed Value Appreciation Report have been based on the real estate market information from 2012 to 2021 (i.e., prior to and in the early stages of the COVID-19 outbreak) and actual future assessed values in the District given impacts from the COVID-19 outbreak may differ, possibly materially, from the findings and conclusions detailed in the Assessed Value Appreciation Report. See also “ASSESSED VALUE APPRECIATION REPORT,” “PRELIMINARY NOTICES – Cautionary Statement Regarding Forecasts, Estimates and Other Forward Looking Statements” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Risks Inherent in Forward-Looking Statements.”*

## **Financial Forecast**

A forecasted statement of sources and uses of cash of the District for calendar years 2022 through 2049 (the “Financial Forecast”) has been prepared for the District by Causey Demgen & Moore P.C., Certified Public Accountants, Englewood, Colorado, and is appended in its entirety to this Official Statement. The Financial Forecast was prepared for the purpose of providing information to the District regarding the District’s ability to meet the debt service requirements of the Bonds when due, and, among other things, includes a schedule of the estimated future assessed valuation of the District. The Financial Forecast is based on the specific information, assumptions and limitations stated therein, including the conclusions of the Assessed Value Appreciation Report.

In addition, for purposes of additional analysis, the Financial Forecast includes a hypothetical alternative projection that uses a different assumption as to the inflation rate of the market value of property in the District than the assumption made in the base case scenario. Under the alternative hypothetical projection, the Financial Forecast assumes a reduced biennial reassessment rate of 2% (instead of 3%, which is the assumption used in the base case scenario). Under the alternative hypothetical projection, principal and interest on the Series 2022A Senior Bonds would still be paid by in full by their scheduled maturity date of December 1, 2048, however, principal and interest on the Series 2022B Subordinate Bonds would not be repaid until December 15, 2044 (which is in advance of the Termination Date). See Note 9 to the Financial Forecast for the hypothetical assumptions made for the alternative projection.

No assurance can be given that actual future market values or future Senior Required Mill Levy or Subordinate Required Mill Levy amounts will be as presented in the Financial Forecast. The Financial Forecast should be read in its entirety for an understanding of the methodology and the underlying assumptions contained therein. Prospective investors are cautioned that any forecast is subject to uncertainties, and that inevitably some assumptions used to develop the Financial Forecast will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guarantee is made herein that the results of the Financial Forecast will be realized. See “FINANCIAL FORECAST” “APPENDIX B – FINANCIAL FORECAST,” and “APPENDIX C – ASSESSED VALUE APPRECIATION REPORT” as well as “PRELIMINARY NOTICES – Cautionary Statement Regarding Forecasts, Estimates and Other Forward Looking Statements” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Factors Affecting Increases in Assessed Valuation from Planned Development – Risks Inherent in Forward-Looking Statements.”

## **Legal Matters**

Kline Alvarado Veio, P.C., Denver, Colorado, is serving as bond counsel to the District (“Bond Counsel”) in connection with the authorization and issuance of the Bonds and will deliver its opinions substantially in the form appended to this Official Statement. Certain matters will be passed upon for the District by White Bear Ankele Tanaka & Waldron, P.C., Centennial, Colorado, as general counsel to the District. Sherman & Howard L.L.C., Denver, Colorado, is serving as counsel to the Underwriter in connection with this financing. Kline Alvarado Veio, P.C. is also serving as disclosure counsel to the District and in such capacity has assisted in the preparation of this Official Statement. See “LITIGATION,” “LEGAL MATTERS” and “TAX MATTERS.”

## **Tax Matters**

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for purposes of federal income tax, assuming continuing compliance with the requirements of the federal tax laws. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Bonds is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds. See “TAX MATTERS” herein. See “TAX MATTERS,” “APPENDIX H – FORM OF BOND COUNSEL OPINION FOR THE SERIES 2022A SENIOR BONDS” and “APPENDIX I – FORM OF BOND COUNSEL OPINION FOR THE SERIES 2022B SUBORDINATE BONDS.”

## **Investment Considerations**

***THE PURCHASE AND OWNERSHIP OF THE BONDS INVOLVES SIGNIFICANT RISK, PARTICULARLY THE SERIES 2022B SUBORDINATE BONDS.*** Prospective investors should read this entire Official Statement to obtain information essential to the making of an informed investment decision, giving particular attention to the matters discussed in “RISKS AND OTHER INVESTMENT CONSIDERATIONS.”

## **Continuing Disclosure**

Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (“Rule 15c2-12”), the District has covenanted, for the benefit of the holders of the Bonds, to provide certain financial information and other operating data and notices of material events after the Bonds are issued. The District will execute a Continuing Disclosure Certificate in which the District will agree to provide, or cause to be provided, to the MSRB, through its EMMA system, certain information concerning the District and the Bonds on an annual basis, as well as notice of the occurrence of certain events affecting the Bonds. See “APPENDIX G – FORM OF CONTINUING DISCLOSURE CERTIFICATE” for a description of the annual information and the notices of events to be provided and other terms of the Continuing Disclosure Certificate.

The District has not incurred any financial obligations that have been subject to Rule 15c2-12 and therefore has never delivered a continuing disclosure undertaking pursuant to Rule 15c2-12.

## **Additional Information**

Brief descriptions of the Indentures, the Bonds, the District and various documents, statutes, reports or other instruments are included in this Official Statement and the appendices hereto. These descriptions do not purport to be comprehensive or definitive. All references herein to the documents, statutes, reports or other instruments described herein are qualified in the entirety by reference to each such document, statute, report or other instrument. During the offering period of the Bonds, copies of such documents may be obtained from Wells Fargo Securities, LLC, 1700 Lincoln Street, 12th Floor, Denver, Colorado 80203, telephone (303) 863-6008; or from the District at 2154 E. Commons Avenue, Suite 2000, c/o White Bear Ankele Tanaka & Waldron, P.C., Centennial, Colorado 80122, telephone (303) 858-1800.

## **Miscellaneous**

The cover page, inside front cover, preliminary notices and appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement.

Information contained in this Official Statement has been obtained from sources believed to be reliable but is not guaranteed as to accuracy or completeness. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale made



hereunder shall under any circumstances create an implication that there has been no change in the affairs of the District since the date of this Official Statement. So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

UMB BANK, N.A., BY ACCEPTANCE OF ITS DUTIES AS THE SENIOR INDENTURE TRUSTEE AND THE SUBORDINATE INDENTURE TRUSTEE, HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS AS TO THE INFORMATION CONTAINED HEREIN.

This Official Statement is not to be construed as a contract or agreement between the District and any Owners or Beneficial Owners of the Bonds.

## **PLAN OF FINANCING**

The Series 2022A Senior Bonds are being issued for the purposes of (i) refunding the amounts owed to ZB, N.A. d/b/a Vectra Bank Colorado under the 2018A Note, (ii) funding the Senior Reserve Fund by obtaining the Debt Service Reserve Insurance Policy in the amount of 50% of the Senior Required Reserve, (iii) purchasing the Policy and the Debt Service Reserve Insurance Policy (for the benefit of the Series 2022A Senior Bonds only), and (iv) paying costs of issuance in connection with the Series 2022A Senior Bonds. The Series 2022B Subordinate Bonds are issued for the purpose of: (i) paying and discharging a portion of the 2018A Loan, and (ii) paying costs of issuance in connection with the with the Series 2022B Subordinate Bonds. The 2018A Loan was originally issued by the District to finance the costs of public improvements therein.

### **Refunding Project**

The 2018A Loan was originally issued by the District to pay the costs of public improvements within the District. As of May 20, 2022, the outstanding principal balance of the 2018A Note was \$9,609,000. It is anticipated that proceeds of the Bonds will be applied towards refunding a portion of the 2018A Note. It is additionally anticipated that on the date of issuance of the Bonds, the remaining outstanding amounts owed under the 2018A Note after the application of proceeds of the Bonds will be funded with cash on hand of the Developer (the “Developer Contribution”) and that the 2018A Note will be therefore paid and discharged in full on the date of issuance of the Bonds. See “The District No. 1 Series 2022B Subordinate Bond” hereafter in this section.

### **Other Uses of Proceeds of the Bonds**

Proceeds of the Series 2022A Senior Bonds will also be used to fund the Senior Reserve Fund in the amount of the Senior Required Reserve, and proceeds of the Series 2022A Senior Bonds and the Series 2022B Subordinate Bonds will also be used to pay the costs of issuing the Bonds, including the Underwriter’s discount (see “UNDERWRITING”), legal fees, the initial fees of the Senior Indenture Trustee and the Subordinate Indenture Trustee, the fees of the various experts described herein, certain regulatory and administrative fees, printing costs and various other costs of issuing the Bonds. The proceeds of the Bonds allocated to pay the costs of issuing the Series 2022A Senior Bonds, other than the Underwriter’s discount, will be deposited to the “Sweetgrass Metropolitan District No. 2 Senior General Obligation Limited Tax Refunding Bonds, Series 2022A, Costs of Issuance Fund” (the “Series 2022A Costs of Issuance Fund”) created by the Senior Indenture and held by the Senior Indenture Trustee pursuant thereto, and are to be disbursed by the Senior Indenture Trustee, at the direction of the Issuer, to pay such costs and the proceeds of the Bonds allocated to pay the costs of issuing the Series 2022B Subordinate Bonds, other than the Underwriter’s discount, will be deposited to the “Sweetgrass Metropolitan District No. 1 Senior General Obligation Limited Tax Refunding Bonds, Series 2022B, Costs of Issuance Fund” (the “Series 2022B Costs

of Issuance Fund”) created by the Subordinate Indenture and held by the Subordinate Indenture Trustee pursuant thereto, and are to be disbursed by the Subordinate Indenture Trustee, at the direction of the Issuer, to pay such costs. Any amounts remaining in the Series 2022A Costs of Issuance Fund on the date that is 30 days after the Issue Date are to be transferred by the Senior Indenture Trustee to the Senior Bond Fund. Any amounts remaining in the Series 2022B Costs of Issuance Fund on the date that is 30 days after the Issue Date are to be transferred by the Subordinate Indenture Trustee to the Subordinate Bond Fund.

## Estimated Sources and Uses of Bond Proceeds

The following table sets forth the estimated sources and uses of the proceeds of the Bonds.

### Estimated Sources and Uses of Bond Proceeds

(Rounded)

	Series 2022A Senior Bonds	Series 2022B Subordinate Bonds	Total Bonds
<u>Sources:</u>			
Principal Amount of the Bonds.....	\$8,150,000.00	\$1,175,000.00	\$9,325,000.00
Net Original Issue Premium.....	41,566.15	--	41,566.15
Developer Contribution <sup>1</sup> .....	<u>1,359,492.17</u>	<u>--</u>	<u>1,359,492.17</u>
Total Sources of Bond Proceeds: .....	<u>\$9,551,058.32</u>	<u>\$1,175,000.00</u>	<u>\$10,726,058.32</u>
<u>Uses:</u>			
Refunding of the 2018A Loan .....	\$8,610,050.34	\$1,108,136.74	\$9,718,187.08
Reserve Fund deposit.....	293,800.00	--	293,800.00
Costs of issuance and insurance policies <sup>2</sup> .....	<u>647,207.98</u>	<u>66,863.26</u>	<u>714,071.24</u>
Total Uses of Bond Proceeds: .....	<u>\$9,551,058.32</u>	<u>\$1,175,000.00</u>	<u>\$10,726,058.32</u>

<sup>1</sup> See “Refunding Project” above in this section.

<sup>2</sup> This amount, other than the underwriting discount (see “UNDERWRITING”) and the purchase of the Policy and the Debt Service Reserve Policy, will be disbursed as discussed in “Other Uses of Proceeds of the Bonds,” above.

## The District No. 1 Series 2022B Subordinate Bond

Simultaneous with the issuance of the Bonds, District No. 1 anticipates issuing its Sweetgrass Metropolitan District No. 1 Subordinate General Obligation (Limited Tax) Bond, Series 2022B, in an estimated principal amount not to exceed \$51,500,000 (the “District No. 1 Series 2022B Subordinate Bond”), the purpose of which will be to refund the outstanding amount owed on the District’s Subordinate Limited Tax General Obligation Bonds, Series 2018C, originally issued in the principal amount of \$11,000,000 (the “Series 2018C Bonds,” and together with the 2018A Loan, the “Refunded Obligations”) and fund the costs of certain public improvements in District No. 1. Proceeds of the Bonds will not be applied towards refunding any portion of the Series 2018C Bonds. The District No. 1 Series 2022B Subordinate Bond will not be an obligation of the District and will not have a lien on the Senior Pledged Revenue and the Subordinate Pledge Revenue imposed by the Senior Indenture and the Subordinate Indenture, respectively. The District No. 1 Series 2022B Subordinate Bond is expected to be issued directly to an entity affiliated with the Developer and not pursuant to a public offering and/or a limited public offering. **The District No. 1 Series 2022B Subordinate Bond is not being offered pursuant to this Official Statement.**

## THE SERIES 2022A SENIOR BONDS

The following is a summary of certain general provisions of the Series 2022A Senior Bonds. Reference is hereby made to the Senior Indenture for the detailed provisions pertaining to the Series 2022A Senior Bonds. See also “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE.”

### Authorization

The Series 2022A Senior Bonds are issued under authority of the constitution and laws of the State, including, without limitation, the Special District Act and the Supplemental Public Securities Act, and pursuant to the Authorizing Resolution and the Senior Indenture. See “DISTRICT FINANCIAL INFORMATION – Tax, Revenue and Spending Limitations – *TABOR*” and “DISTRICT DEBT STRUCTURE – Authorization.”

### General Provisions

The Series 2022A Senior Bonds will be issued in the aggregate principal amount, bear interest at the rates and mature on the dates set forth on the inside front cover of this Official Statement. Interest on the Series 2022A Senior Bonds (computed on the basis of a 360-day year of twelve 30-day months) will accrue from the Issue Date and will be payable semiannually on each June 1 and December 1, commencing December 1, 2022, until the Series 2022A Senior Bonds mature or are redeemed in advance of maturity. Payments of principal and interest in connection with the Series 2022A Senior Bonds will be made by the Senior Indenture Trustee to Cede & Co. (or subsequent nominee of DTC), as the Owner of the Series 2022A Senior Bonds, for subsequent credit to the accounts of the Beneficial Owners of the Series 2022A Senior Bonds as discussed “Book-Entry Only Form” below and in “APPENDIX F – DTC BOOK-ENTRY SYSTEM.”

Any principal of a Series 2022A Senior Bond that is not paid when due will remain outstanding until paid and continue to bear interest at the rate borne by such Series 2022A Senior Bond; and any interest on a Series 2022A Senior Bond that is not paid when due will compound on each Senior Bonds Interest Payment Date at the interest rate borne by such Series 2022A Senior Bond. However, the District will not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2022A Senior Bonds, including all payments of principal, premium, if any, and interest, and all Series 2022A Senior Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount. **In addition, all of the Series 2022A Senior Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 31, 2049, regardless of the amount of principal and interest paid the Series 2022A Senior prior to such Senior Termination Date. See also “Security and Sources of Payment - *Senior Termination Date*” in this section.**

### Book-Entry Only Form

The Series 2022A Senior Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2022A Senior Bonds. Beneficial Ownership Interests in the Series 2022A Senior Bonds, in non-certificated book-entry only form, may be purchased in Series 2022A Authorized Denominations by or through DTC Participants. Such Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired, and transfers of such Beneficial Ownership Interests (which may be made only in Series 2022A Authorized Denominations) will be accomplished by entries made on the books of the DTC Participants acting on behalf of the Beneficial Owners. References herein to the Owners of the Series 2022A Senior Bonds mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners of the Series 2022A Senior Bonds.

Beneficial Ownership Interests in the Series 2022A Senior Bonds will be governed as to payment, receipt of notices and other communications, prior redemption, transfers and various other matters with respect to the Series 2022A Senior Bonds by the rules and operating procedures applicable to the DTC book-entry system as described in “APPENDIX F – DTC BOOK-ENTRY SYSTEM.”

*None of the District, the Senior Indenture Trustee or the Underwriter will have any responsibility or obligation to any Beneficial Owner of the Series 2022A Senior Bonds with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) any notice that is permitted or required to be given to the Owners of the Series 2022A Senior Bonds under the Senior Indenture, (3) the selection by DTC or any DTC Participant of the recipient of payment in the event of a partial redemption of the Series 2022A Senior Bonds, (4) the payment by DTC or any DTC Participant of any amount with respect to the principal of or interest due with respect to the Owners of the Series 2022A Senior Bonds, (5) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2022A Senior Bonds or (6) any other related matter.*

### **Redemption Prior to Maturity**

***Mandatory Sinking Fund Redemption.*** The Series 2022A Senior Bonds maturing on December 1, 2048 are subject to mandatory sinking fund redemption prior to maturity, in part, by lot, on the dates and in the principal amounts set forth in the following table, upon payment of the principal amount of the Series 2022A Senior Bonds so redeemed plus accrued interest to the redemption date, without redemption premium.

**Mandatory Sinking Fund Redemption Schedule  
for the Bonds Maturing December 1, 2048**

<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>	<b><u>Redemption Date</u></b>	<b><u>Principal Amount</u></b>
2038	\$340,000	2044	\$465,000
2039	350,000	2045	480,000
2040	375,000	2046	515,000
2041	390,000	2047	535,000
2042	420,000	2048 <sup>1</sup>	565,000
2043	435,000		

<sup>1</sup> Maturity, not a sinking fund redemption date.

The amount of the applicable sinking fund installment for any particular date and maturity may be reduced by the principal amount of the Series 2022A Senior Bonds for that maturity which prior to such date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against a sinking fund installment. Such reductions, if any, are to be applied in such year or years as may be determined by the District.

***Optional Redemption.*** The Series 2022A Senior Bonds maturing on and after December 1, 2033 are also subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2032, and on any date thereafter, upon payment of par and accrued interest, with no redemption premium.

***Notice of Redemption.*** In the event any of the Series 2022A Senior Bonds or portions thereof are called for prior redemption, notice thereof identifying the Series 2022A Senior Bonds or portions thereof to be redeemed is to be given by the Senior Indenture Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid), not less than 30 days prior to the date fixed for redemption, to the Owner of each Series 2022A Senior Bond to be redeemed in whole or in part (initially Cede & Co.) at the address shown on the registration books maintained by or on behalf of the District by the Senior Indenture Trustee. The redemption of the Series 2022A Senior Bonds may be contingent or subject to such conditions

as may be specified in the notice, and if funds for the redemption are not irrevocably deposited with the Senior Indenture Trustee or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice is to be specifically subject to the deposit of funds by the District. Failure to give such notice by mailing to any Owner of Series 2022A Senior Bonds, or any defect therein, will not affect the validity of any proceeding for the redemption of other Series 2022A Senior Bonds as to which no such failure or defect exists. All Series 2022A Senior Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

The Senior Indenture Trustee is required to send notice of redemption of the Series 2022A Senior Bonds to Cede & Co. (or subsequent nominee of DTC) as the Owner thereof. Receipt of such notice initiates DTC's standard call. In the event of a partial call, the Beneficial Ownership Interests in the Series 2022A Senior Bonds to be redeemed will be determined in accordance with the rules and procedures of the DTC book-entry system as discussed in "APPENDIX F – DTC BOOK-ENTRY SYSTEM." DTC Participants are responsible for notifying the Beneficial Owners of the redemption of their Beneficial Ownership Interests in the Series 2022A Senior Bonds and for remitting the redemption price thereof to such Beneficial Owners. Any failure by DTC or DTC Participants to notify a Beneficial Owner of any such notice of redemption and its content or effect will not affect the validity of the redemption of the Series 2022A Senior Bonds.

### **Acknowledgment by Owners and Beneficial Owners**

By acceptance of the Series 2022A Senior Bonds or any Beneficial Ownership Interest therein, each Owner and Beneficial Owner of the Series 2022A Senior Bonds will be deemed to have agreed and consented to all of the limitations in respect of the payment of the principal of, premium, if any, and interest on the Series 2022A Senior Bonds contained in the Series 2022A Senior Bonds, the Senior Indenture, the Authorizing Resolution and the District's Service Plan. The Owners and Beneficial Owner of the Series 2022A Senior Bonds will also be deemed to have: (a) acknowledged that (i) the Series 2022A Senior Bonds are not being registered under the Securities Act of 1933, as amended, and (ii) the Series 2022A Senior Bonds are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state; and (b) acknowledged and agreed that the Series 2022A Senior Bonds and any interest therein may and shall be sold, transferred or otherwise disposed of only in Series 2022A Authorized Denominations; and (c) acknowledged and agreed that the District, the Senior Indenture Trustee, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, consents and agreements.

### **Security and Sources of Payment**

**Limited Tax Obligations.** The Series 2022A Senior Bonds will constitute limited tax general obligations of the District.

**Source of Payment of the Series 2022A Senior Bonds; Senior Lien.** The Series 2022A Senior Bonds will be payable solely from certain revenues and funds comprising the Senior Trust Estate, including the Senior Pledged Revenue and amounts on deposit from time to time in the Senior Bond Fund and, if necessary, the Senior Reserve Fund and the Surplus Fund. The Series 2022A Senior Bonds constitute an irrevocable but nonexclusive first lien on the Senior Pledged Revenue and the moneys and earnings thereon held in the Senior Bond Fund, the Senior Reserve Fund and the Surplus Fund, on parity with any future Senior Parity Bonds that may be issued or incurred by the District. See "*Additional Bonds Payable from the Senior Pledged Revenue*" hereafter in this section.

The creation, perfection, enforcement and priority of the pledge of the Senior Pledged Revenue to secure or pay the Series 2022A Senior Bonds are governed by the Supplemental Act and the Senior Indenture. The Senior Pledged Revenue is subject to the lien of such pledge without any physical delivery, filing or further act. The lien of such pledge on the Senior Pledged Revenue will be on a parity with any Senior Parity



Bonds, will have priority over any and all other obligations and liabilities of the District and will be valid, binding and enforceable as against all persons having claims of any kind in tort, contract or otherwise against the District irrespective of whether such persons have notice of such liens.

***Result of Insufficiency of Senior Pledged Revenue.*** *The Senior Pledged Revenue and the amounts available in the funds pledged to the payment of the Series 2022A Senior Bonds may not necessarily be sufficient to pay the principal of, premium, if any, and interest on the Series 2022A Senior Bonds when due. However, so long as the District neither fails nor refuses to impose the Senior Required Mill Levy or to apply the Senior Pledged Revenue as required by the Senior Indenture, the inability of the District to pay the principal of, premium, if any, or interest on the Series 2022A Senior Bonds when due will not, of itself, constitute a Senior Indenture Event of Default. Any principal of a Series 2022A Senior Bond that is not paid when due will remain outstanding until paid, and any interest on a Series 2022A Senior Bond that is not paid when due will compound semiannually on each Senior Bonds Interest Payment Date at the interest rate borne by such Series 2022A Senior Bond; provided, however, that the District will not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2022A Senior Bonds, and all Series 2022A Senior Bonds will be deemed to be defeased and no longer outstanding upon the payment by the District of such amount.*

***The Senior Pledged Revenue.*** The Senior Pledged Revenue is defined in the Senior Indenture as the moneys derived by the District from (i) the Senior Required Mill Levy (less the O&M Carve-out), (ii) the Senior Pledged Specific Ownership Taxes, and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Senior Indenture Trustee for application as Senior Pledged Revenue. Each of these sources of Senior Pledged Revenue is discussed in greater detail below.

***Senior Required Mill Levy.*** The Senior Pledged Revenue is expected to be comprised primarily of the revenue to be derived from the Senior Required Mill Levy (less the O&M Carve-out), which is defined in the Senior Indenture as the following:

- Subject to the paragraph below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount sufficient to fund the Bond Fund for the relevant Bond Year and pay the Bonds as they come due, and if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Required Reserve defined in the Senior Indenture as \$587,600), but (i) not in excess of 53.663 mills commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification, and then not in excess of 51.663 mills commencing with the December 2025 mill levy certification and continuing each year thereafter, and (ii) for so long as the Surplus Fund is less than the Maximum Surplus Amount (defined in the Senior Indenture as \$293,800), not less than the mill levies set forth above, or such lesser mill levy which will fund the Bond Fund for the relevant Bond Year and pay the Bonds as they come due, will replenish the Reserve Fund to the amount of the Required Reserve, and will fund the Surplus Fund up to the Maximum Surplus Amount; provided however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2021, the minimum and maximum mill levies provided in the Senior Indenture shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.”

- Notwithstanding the foregoing, in no event is the Senior Required Mill Levy to be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Senior Required Mill Levy as calculated above would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Senior Required Mill Levy is to be reduced to the point that such maximum tax increase is not exceeded.
- "O&M Carve-out" means the current and annual reasonable operation, maintenance and administrative obligations and reasonable budgetary reserves for the District, which shall be an amount equal to \$50,000 in 2022, with such amount increasing by one-percent (1%) annually thereafter.

The Series 2022A Senior Bonds are not secured directly by any lien on property located within the District, but rather by the District's covenant to cause to be levied by the Board of County Commissioners of Weld County, on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in each of the years 2022 to 2047 (for collection in 2048), inclusive in the amount of the Senior Required Mill Levy for the purposes of paying the principal of, premium, if any, and interest on the Series 2022A Senior Bonds, funding the Surplus Fund and, if necessary, funding the Senior Reserve Fund. Such annual levy for debt service creates a statutory tax lien that may be enforced to the extent that taxes are delinquent in a given year. See "DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – *Historical Mill Levies and Property Tax Collections for the District.*" The District is not required to levy an ad valorem property tax for such purposes in excess of the Senior Required Mill Levy.

*Senior Pledged Specific Ownership Taxes.* The Senior Pledged Revenue also includes a portion of the Specific Ownership Tax imposed by the State, collected by the Weld County Treasurer (the "County Treasurer") and remitted to the District pursuant to Article 3 of Title 42, C.R.S., in connection with the registration of certain motor vehicles and other personal property. The Specific Ownership Taxes collected by the County Treasurer are apportioned among all political and governmental subdivisions located within the County on the basis of the amount of ad valorem property taxes levied by such entities within the County during the preceding calendar year. The Senior Pledged Specific Ownership Taxes constitutes the portion of the Specific Ownership Taxes which is collected as a result of the imposition of the Senior Required Mill Levy. See "DISTRICT FINANCIAL INFORMATION – Specific Ownership Taxes."

*Other.* The Senior Pledged Revenue also includes any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Senior Indenture Trustee for application as Senior Pledged Revenue.

***Application of Senior Pledged Revenue; Flow of Funds.*** The District shall transfer all amounts comprising Senior Pledged Revenue to the Senior Indenture Trustee as soon as may be practicable after the receipt thereof, and in no event later than the 15th day of the calendar month immediately succeeding the calendar month in which such revenue is received by the District; provided, however, that in the event that the total amount of Senior Pledged Revenue received by the District in a calendar month is less than \$50,000, the Senior Pledged Revenue received in such calendar month may instead be remitted to the Senior Indenture Trustee no later than the 15th day of the calendar month immediately succeeding the calendar quarter in which such revenue is received by the District (i.e., no later than April 15th for Senior Pledged Revenue received in January, February or March, no later than July 15th for Senior Pledged Revenue received in April, May or June, no later than October 15th for Senior Pledged Revenue received in July, August or September, and no later than January 15th for Senior Pledged Revenue received in October, November or December). IN NO EVENT IS THE DISTRICT PERMITTED TO APPLY ANY PORTION OF THE SENIOR PLEDGED



REVENUE TO ANY OTHER PURPOSE, OR TO WITHHOLD ANY PORTION OF THE SENIOR PLEDGED REVENUE. In addition, in order to assure the proper application of moneys constituting Senior Pledged Revenue, on and after the date of issuance of any Additional Bonds, the District shall also transfer to the Senior Indenture Trustee all moneys pledged to the payment of such Additional Bonds which are derived from ad valorem taxes of the District, or Specific Ownership Taxes, and any such moneys shall constitute part of the Trust Estate. The Senior Indenture Trustee shall apply the Senior Pledged Revenue and such other moneys in the following order of priority. For purposes of the following: (i) the priorities established below are intended to create a tiered “waterfall” structure in which no Senior Pledged Revenue flows to a lower priority until all of the higher priorities have been fully funded as provided in the Senior Indenture; (ii) when credits to more than one fund, account, or purpose are required at any single priority level, such credits shall rank pari passu with each other, and (iii) when credits are required to go to funds or accounts which are not held by the Senior Indenture Trustee under the Senior Indenture, the Senior Indenture Trustee may conclusively rely upon the written instructions of the District with respect to the appropriate funds or accounts to which such credits are to be made.

- FIRST: To the Senior Indenture Trustee, in an amount sufficient to pay the Senior Indenture Trustee Fees then due and payable and to pay the costs of any audit required by the Senior Indenture;
- SECOND: To the credit of the Bond Fund the amounts required by the Senior Indenture, and to the credit of any other similar fund or account established for the current payment of the principal of, premium if any, and interest on any other Parity Bonds, the amounts required by the documents pursuant to which the Parity Bonds are issued;
- THIRD: To the credit of the Reserve Fund, the amounts required by the Senior Indenture entitled “Reserve Fund”, and to the credit of any reserve fund or similar fund or account established in connection with any other Parity Bonds to secure the payment of the principal of, premium if any, and interest on such Parity Bonds and fully funded as of the date of issuance of such Parity Bonds, the amounts required by the documents pursuant to which such other Parity Bonds are issued;
- FOURTH: To the credit of the Surplus Fund the amounts required by the Senior Indenture, and to the credit of any other similar surplus fund or account established in connection with any other Parity Bonds to secure payment of the principal of, premium if any, and interest on such Parity Bonds but not fully funded as of the date of issuance of such Parity Bonds, the amounts required by the documents pursuant to which such other Parity Bonds are issued;
- FIFTH: To the credit of any other fund or account established for the payment of the principal of, premium if any, and interest on Subordinate Bonds, including any sinking fund, reserve fund, or similar fund or account established therefor, the amounts required by the documents pursuant to which the Subordinate Bonds are issued;
- SIXTH: To the credit of any other fund or account as may be designated by the District, to be used for any lawful purpose, any Senior Pledged Revenue remaining after the payments and accumulations set forth above.

***The Senior Bond Fund.*** There is to be credited to the Senior Bond Fund each Bond Year, subject to the receipt of sufficient Senior Pledged Revenue, an amount of Senior Pledged Revenue which, when combined with other legally available moneys in the Senior Bond Fund (not including moneys deposited thereto from other funds pursuant to the Senior Indenture), will be sufficient to pay the principal of, premium, if any, and interest on the Series 2022A Senior Bonds which has or will become due in the Bond Year in which the credit is made.

Moneys in the Senior Bond Fund (including any moneys transferred thereto from other funds pursuant to the Senior Indenture) are to be used by the Senior Indenture Trustee solely to pay the principal of, premium, if any, and interest on the Series 2022A Senior Bonds, in the following order: (i) first to the payment of interest due in connection with the Series 2022A Senior Bonds (including, without limitation, current interest, accrued but unpaid interest and interest due as a result of compounding, if any); and (ii) second, to the extent any moneys are remaining in the Senior Bond Fund after the payment of such interest, to the payment of the principal of and premium, if any, on the Bonds, whether due at maturity or upon prior redemption.

In the event that available moneys in the Senior Bond Fund (including any moneys transferred thereto from other funds pursuant to the Senior Indenture) are insufficient for the payment of the principal of, premium, if any, and interest due on the Series 2022A Senior Bonds on any due date, the Senior Indenture Trustee is to first pay such amounts as are available, proportionally, in accordance with the amount of interest due on each Bond, and secondly apply any remaining amounts to the payment of the principal of and premium, if any, on as many Series 2022A Senior Bonds as can be paid with such remaining amounts, such payments to be in increments of \$1,000 or any integral multiple thereof plus any premium. Series 2022A Senior Bonds or portions thereof to be redeemed pursuant to such partial payment are to be selected by lot from the Series 2022A Senior Bonds the principal of which is due and owing on the due date.

Moneys on deposit in the Senior Bond Fund may be invested or deposited only in Permitted Investments, but in all cases subject to the tax covenants made by the District in the Senior Indenture. See “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE – Tax Covenants,” as well as “TAX MATTERS.” Except to the extent otherwise required by such covenants, all interest income from the investment or reinvestment of moneys credited to the Senior Bond Fund is to be credited to the Senior Bond Fund.

***The Senior Reserve Fund.*** Moneys in the Senior Reserve Fund are to be used by the Senior Indenture Trustee, if necessary, only to prevent a default in the payment of the principal of, premium, if any, or interest on the Series 2022A Senior Bonds, and the Senior Reserve Fund is pledged in the Senior Indenture to the payment of the Series 2022A Senior Bonds; provided, however, that Permitted Senior Refunding Bonds (as defined in “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE”) issued to partially refund the Series 2022A Senior Bonds may also be secured by the Senior Reserve Fund in the same fashion as the Series 2022A Senior Bonds, and if so secured, such Permitted Senior Refunding Bonds will have a claim upon the Senior Reserve Fund which ranks *pari passu* with the claim of the Series 2022A Senior Bonds remaining outstanding after issuance of such Permitted Senior Refunding Bonds.

In the event the amounts credited to the Senior Bond Fund and the Surplus Fund are insufficient to pay the principal of, premium, if any, or interest on the Series 2022A Senior Bonds when due, the Senior Indenture Trustee is to transfer from the Senior Reserve Fund to the Senior Bond Fund an amount which, when combined with moneys in the Senior Bond Fund and the Surplus Fund, will be sufficient to make such payments when due. In the event that moneys in the Senior Bond Fund, the Surplus Fund and the Senior Reserve Fund are together insufficient to make such payments when due, the Senior Indenture Trustee is to nevertheless transfer all moneys in the Senior Reserve Fund to the Senior Bond Fund. Moneys in the Surplus Fund are to be used for payment of the Series 2022A Senior Bonds prior to any use of moneys in the Senior Reserve Fund. The use of moneys released from the Senior Reserve Fund will be subject to any pledges, liens or other encumbrances thereon, including, without limitation, any lien or encumbrance created under the terms of any other Senior Parity Bonds or Subordinate Bonds (within the meaning of the Senior Indenture).

The Senior Reserve Fund will be fully funded upon issuance of the Series 2022A Senior Bonds in the amount of the Senior Required Reserve (\$587,600) with the proceeds of the Bonds and with the Debt Service Reserve Insurance Policy issued by the Bond Insurer. See “PLAN OF FINANCING – Estimated Application

of Bond Proceeds” and the “*Debt Service Reserve Insurance Policy*” hereafter. Subject to the receipt of sufficient Senior Pledged Revenue, the Senior Reserve Fund is to be maintained thereafter in the amount of the Senior Required Reserve for so long as any Series 2022A Senior Bonds are outstanding. If at any time the Senior Reserve Fund is drawn upon or valued so that the amount of the Senior Reserve Fund is less than the Senior Required Reserve, then the Senior Indenture Trustee is to apply Senior Pledged Revenue to the credit of the Senior Reserve Fund in amounts sufficient to bring the amount credited to the Senior Reserve Fund to the Senior Required Reserve. Such credits are to be made at the earliest practicable time, but in accordance with and subject to the limitations provided in “*Application of Senior Pledged Revenue; Flow of Funds*” above. Nothing in the Senior Indenture is to be construed as requiring the District to impose an ad valorem mill levy for the purpose of funding the Senior Reserve Fund in excess of the Senior Required Mill Levy.

Moneys on deposit in the Senior Reserve Fund may be invested or deposited only in Permitted Investments, but in all cases subject to the tax covenants made by the District in the Senior Indenture. See “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE – Tax Covenants,” as well as “TAX MATTERS.” Except to the extent otherwise required by such covenants, interest income derived from the investment and reinvestment of any moneys in the Senior Reserve Fund is to be credited to the Senior Reserve Fund to the extent necessary to restore the Senior Reserve Fund to the amount of the Senior Required Reserve, and if not needed for such purpose such earnings are to be credited to the Senior Bond Fund.

Investments credited to the Senior Reserve Fund are to be valued on the basis of their current market value, as reasonably determined by the District, which value is to be determined at least annually, and any deficiency resulting from such evaluation is to be replenished as discussed above. The amount credited to the Senior Reserve Fund is never to exceed the amount of the Senior Required Reserve.

***The Debt Service Reserve Insurance Policy.*** A portion of the requirement to fund the Senior Reserve Fund in the amount of the Senior Required Reserve will be satisfied initially by the Debt Service Reserve Insurance Policy in the amount of 50% the Senior Required Reserve to be issued concurrently with the delivery of the Series 2022A Senior Bonds by BAM. The Debt Service Reserve Insurance Policy provides that BAM unconditionally and irrevocably agrees to pay to the Paying Agent, subject only to the terms of the Debt Service Reserve Insurance Policy, that portion of the principal of and interest on the Series 2022A Senior Bonds that becomes Due for Payment (as defined in the Debt Service Reserve Insurance Policy) but is unpaid by reason of Nonpayment (as defined in the Debt Service Reserve Insurance Policy) by the District.

Draws on the Debt Service Reserve Insurance Policy are to be repaid to the Bond Insurer by the District pursuant to a Debt Service Reserve Agreement to be entered into by and between the District and BAM. Such draws are to be repaid solely from and to the extent of the Senior Pledged Revenue. The District is to pay BAM any draws under the Debt Service Reserve Insurance Policy and all reasonable charges, fees, costs, losses, liabilities and expenses incurred by BAM, together with interest thereon from the date of payment by BAM at the rate provided in the Debt Service Reserve Agreement. As and to the extent that payments are made to BAM on account of principal due, the coverage under the Debt Service Reserve Insurance Policy will be increased by a like amount, subject to the terms thereof.

See also “BOND INSURANCE – Build America Mutual Assurance Company” hereafter for information regarding the Bond Insurer.

***The Surplus Fund.*** The Surplus Fund is to be used to pay the principal of, premium, if any, or interest on the Series 2022A Senior Bonds when due to the extent of a deficiency of other amounts available therefor in the Senior Bond Fund.

In the event the amounts credited to the Senior Bond Fund are insufficient to pay the principal of, premium, if any, or interest on the Series 2022A Senior Bonds when due, the Senior Indenture Trustee is to transfer from the Surplus Fund to the Senior Bond Fund an amount which, when combined with moneys

in the Senior Bond Fund, will be sufficient to make such payments when due. In the event the amounts in the Senior Bond Fund and the Surplus Fund are insufficient to pay all principal of, premium, if any, and interest on the Series 2022A Senior Bonds on any due date, the Senior Indenture Trustee is to nevertheless transfer all of the moneys in the Surplus Fund to the Senior Bond Fund. Amounts in the Surplus Fund are to be used for payment of the Series 2022A Senior Bonds before any use of moneys in the Senior Reserve Fund. Amounts in the Surplus Fund may be used to pay Series 2022A Senior Bonds coming due as a result of any mandatory redemption, but are not to be used to redeem Series 2022A Senior Bonds being called for optional redemption unless such redemption is of all the outstanding Series 2022A Senior Bonds.

The Surplus Fund will not be funded from proceeds of the Series 2022A Senior Bonds, but rather will be funded solely from deposits of Senior Pledged Revenue as provided in “*Application of Senior Pledged Revenue; Flow of Funds*” above, subject to the receipt of sufficient Senior Pledged Revenue, up to the Maximum Surplus Amount of \$293,800, and except to the extent of the availability of Senior Pledged Revenue, the District will have no obligation to fund the Surplus Fund in any amount.

Moneys on deposit in the Surplus Fund may be invested or deposited only in Permitted Investments, but in all cases subject to the tax covenants made by the District in the Senior Indenture. See “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE – Tax Covenants,” as well as “TAX MATTERS.” Except to the extent otherwise required by such covenants, so long as the amount of the Surplus Fund is equal to the Maximum Surplus Amount, all interest income from the investment or reinvestment of moneys credited to the Surplus Fund is to be credited to the Senior Bond Fund. However, if the amount of the Surplus Fund is less than the Maximum Surplus Amount, then such interest income is to be credited to the Surplus Fund.

Investments credited to the Surplus Fund are to be valued on the basis of their current market value, as reasonably determined by the District, which value is to be determined at least annually.

Notwithstanding the foregoing, Permitted Senior Refunding Bonds issued to partially refund the Series 2022A Senior Bonds may be secured by the Surplus Fund in the same fashion as the Series 2022A Senior Bonds remaining outstanding after issuance of such Permitted Senior Refunding Bonds, and if so secured, such Permitted Senior Refunding Bonds will have a claim upon the Surplus Fund which ranks *pari passu* with the claim of the Series 2022A Senior Bonds remaining outstanding after issuance of such Permitted Senior Refunding Bonds.

Amounts on deposit in the Surplus Fund (if any) on the final maturity date of the Bonds shall be applied to the payment of the Series 2022A Senior Bonds. The availability of such amount shall be taken into account in calculating the Senior Required Mill Levy required to be imposed in the levy year prior to the year of the final maturity of the Bonds. Any such amount on deposit in the Surplus Fund not applied to payment of the Bonds on the final maturity date shall be released to the District for application to any lawful purpose (which may include, but is not limited to, deposit to any fund for payment of Parity Bonds or Subordinate Bonds, if so directed by the District, but shall be subject to any other lien thereon then in effect).

### **Bond Insurance**

The scheduled payment of principal of and interest on the Series 2022A Senior Bonds when due will be guaranteed under the Policy to be issued concurrently with the delivery of the Series 2022A Senior Bonds by the Bond Insurer as discussed hereafter in “BOND INSURANCE.”

### **Additional Bonds Payable from the Senior Pledged Revenue**

Subject to certain conditions, the Senior Indenture permits the District to issue Additional Bonds (as defined in APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE) having a lien on

the Senior Pledged Revenue or any part thereof on parity with the Series 2022A Senior Bonds (collectively with the Series 2022A Senior Bonds, “Senior Parity Bonds”), as well as Additional Bonds having a lien on the Senior Pledged Revenue or any part thereof that is junior and subordinate to the lien thereon of the Series 2022A Senior Bonds, including the Series 2022B Subordinate Bonds and any additional Subordinate Bonds within the meaning of the Senior Indenture. However, the Senior Indenture provides that the only Senior Parity Bonds to be issued by the District shall be Permitted Refunding Bonds, defined therein as, generally, Senior Parity Bonds issued for refunding or refinancing purposes. See “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE – Additional Bonds Payable from the Senior Pledged Revenue.” See “DISTRICT DEBT STRUCTURE – Authorization – *Voter-Approved Debt Authorization Prior to the Issuance of the Bonds.*”

### **Additional Provisions of the Senior Indenture**

Included herein as “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE” are selected additional provisions of the Senior Indenture, including those pertaining to, among other things, tax covenants and other general covenants of the District, defaults and remedies, amendments and supplements to the Senior Indenture, defeasance and the Senior Indenture Trustee.

## **THE SERIES 2022B SUBORDINATE BONDS**

The following is a summary of certain general provisions of the Series 2022B Subordinate Bonds. Reference is hereby made to the Subordinate Indenture for the detailed provisions pertaining to the Series 2022B Subordinate Bonds. See also “APPENDIX E – SELECTED PROVISIONS OF THE SUBORDINATE INDENTURE.”

### **Authorization**

The Series 2022B Subordinate Bonds are issued under authority of the constitution and laws of the State, including, without limitation, the Special District Act and the Supplemental Public Securities Act, and pursuant to the Authorizing Resolution and the Subordinate Indenture. The issuance of the Series 2022B Subordinate Bonds was also authorized at the Election. See “DISTRICT FINANCIAL INFORMATION – Tax, Revenue and Spending Limitations – *TABOR*” and “DISTRICT DEBT STRUCTURE – Authorization.”

### **General Provisions**

The Series 2022B Subordinate Bonds will be issued in the aggregate principal amount, bear interest at the rate and mature on the date set forth on the inside cover of this Official Statement. Interest on the Series 2022B Subordinate Bonds (computed on the basis of a 360-day year of twelve 30-day months) will accrue from the Issue Date and will be payable annually on each December 15, commencing December 15, 2022, to the extent of available Subordinate Pledged Revenue until the Series 2022B Subordinate Bonds mature or are redeemed in advance of maturity. Payments of principal and interest in connection with the Series 2022B Subordinate Bonds will be made by the Subordinate Indenture Trustee to Cede & Co. (or subsequent nominee of DTC), as the Owner of the Series 2022B Subordinate Bonds, for subsequent credit to the accounts of the Beneficial Owners of the Series 2022B Subordinate Bonds as discussed “Book-Entry Only Form” below and in “APPENDIX F – DTC BOOK-ENTRY SYSTEM.”

Any principal of a Series 2022B Subordinate Bond that is not paid when due will remain outstanding until either paid or until the Subordinate Termination Date discussed hereafter and will continue to bear interest at the rate borne by such Series 2022B Subordinate Bond; and any interest on a Series 2022B Subordinate Bond that is not paid when due will compound on each Subordinate Bonds Interest Payment Date at the interest rate borne by such Series 2022B Subordinate Bond. However, the District will not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2022B



Subordinate Bonds, including all payments of principal, premium, if any, and interest, and all Series 2022B Subordinate Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount. **In addition, all of the Series 2022B Subordinate Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 31, 2049, regardless of the amount of principal and interest paid the Series 2022B Subordinate Bonds prior to such Subordinate Termination Date. See also “Security and Sources of Payment - Subordinate Termination Date” in this section.**

### **Book-Entry Only Form**

The Series 2022B Subordinate Bonds will be issued in fully registered form and registered initially in the name of Cede & Co., as nominee of DTC, which will serve as securities depository for the Series 2022B Subordinate Bonds. Beneficial Ownership Interests in the Series 2022B Subordinate Bonds, in non-certificated book-entry only form, may be purchased in Series 2022B Authorized Denominations by or through DTC Participants. Such Beneficial Ownership Interests will be recorded in the name of the Beneficial Owners on the books of the DTC Participants from whom they are acquired, and transfers of such Beneficial Ownership Interests (which may be made only in Series 2022B Authorized Denominations) will be accomplished by entries made on the books of the DTC Participants acting on behalf of the Beneficial Owners. References herein to the Owners of the Series 2022B Subordinate Bonds mean Cede & Co. or such other nominee as may be designated by DTC, and not the Beneficial Owners of the Series 2022B Subordinate Bonds.

Beneficial Ownership Interests in the Series 2022B Subordinate Bonds will be governed as to payment, receipt of notices and other communications, prior redemption, transfers and various other matters with respect to the Series 2022B Subordinate Bonds by the rules and operating procedures applicable to the DTC book-entry system as described in “APPENDIX F – DTC BOOK-ENTRY SYSTEM.”

*None of the District, the Subordinate Indenture Trustee or the Underwriter will have any responsibility or obligation to any Beneficial Owner of the Series 2022B Subordinate Bonds with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) any notice that is permitted or required to be given to the Owners of the Series 2022B Subordinate Bonds under the Subordinate Indenture, (3) the selection by DTC or any DTC Participant of the recipient of payment in the event of a partial redemption of the Series 2022B Subordinate Bonds, (4) the payment by DTC or any DTC Participant of any amount with respect to the principal of, premium, if any, or interest due with respect to the Owners of the Series 2022B Subordinate Bonds, (5) any consent given or other action taken by DTC or its nominee as the Owner of the Series 2022B Subordinate Bonds or (6) any other related matter.*

### **Redemption Prior to Maturity**

**Mandatory Redemption.** On each November 15, the Subordinate Indenture Trustee is to determine the amount credited to the Subordinate Bond Fund (including any amounts deposited to the Subordinate Bond Fund prior to the applicable redemption date as a result of moneys released from the 2022A Senior Surplus Fund, which shall be anticipated by the Trustee for purposes of any redemption notice to be given) and, to the extent the amount therein is in excess of the amount required to pay interest on the Series 2022B Subordinate Bonds due on the next succeeding interest payment date (including current interest, accrued but unpaid interest and interest due as a result of compounding, if any), the Subordinate Indenture Trustee is to promptly give notice of redemption and take such other actions as necessary to redeem as many Series 2022B Subordinate Bonds as can be redeemed with such excess moneys. Such redemptions are to be made by the Subordinate Indenture Trustee on the next interest payment date, and amounts insufficient to redeem at least one Series 2022B Subordinate Bond in the denomination of \$1,000 is to be retained in the Subordinate Bond Fund. The mandatory redemption provided in this paragraph is to be made by the Subordinate Indenture Trustee without further instruction from the District and notwithstanding any instructions from the District to the contrary. Borrowed moneys are not to be used for the purpose of

redeeming principal of the Series 2022B Subordinate Bonds pursuant to this provision. See also “Security and Sources of Payment – *The Subordinate Bond Fund*” hereafter in this section.

***Optional Redemption.*** The Series 2022B Subordinate Bonds are also subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, on December 1, 2027, and on any date thereafter, upon payment of par, accrued interest and a redemption premium of a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2027, to November 30, 2028	103.00%
December 1, 2028, to November 30, 2029	102.00%
December 1, 2029, to November 30, 2030	101.00%
December 1, 2030, and thereafter	100.00%

***Notice of Redemption.*** In the event any of the Series 2022B Subordinate Bonds or portions thereof are called for prior redemption, notice thereof identifying the Series 2022B Subordinate Bonds or portions thereof to be redeemed is to be given by the Subordinate Indenture Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid), not less than 20 days prior to the date fixed for redemption, to the Owner of each Series 2022B Subordinate Bond to be redeemed in whole or in part (initially Cede & Co.) at the address shown on the registration books maintained by or on behalf of the District by the Subordinate Indenture Trustee; provided that so long as the Series 2022B Subordinate Bonds are held by DTC or any other Depository, such notice may be given by electronic means in lieu of mailed notice. The redemption of the Series 2022B Subordinate Bonds may be contingent or subject to such conditions as may be specified in the notice, and if funds for the redemption are not irrevocably deposited with the Subordinate Indenture Trustee or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice is to be specifically subject to the deposit of funds by the District. Failure to give such notice by mailing to any Owner of a Series 2022B Subordinate Bond, or any defect therein, will not affect the validity of any proceeding for the redemption of other Series 2022B Subordinate Bonds as to which no such failure or defect exists. All Series 2022B Subordinate Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

The Subordinate Indenture Trustee is required to send notice of redemption of the Series 2022B Subordinate Bonds to Cede & Co. (or subsequent nominee of DTC) as the Owner thereof. Receipt of such notice initiates DTC’s standard call. In the event of a partial call, the Beneficial Ownership Interests in the Series 2022B Subordinate Bonds to be redeemed will be determined in accordance with the rules and procedures of the DTC book-entry system as discussed in “APPENDIX F – DTC BOOK-ENTRY SYSTEM.” DTC Participants are responsible for notifying the Beneficial Owners of the redemption of their Beneficial Ownership Interests in the Series 2022B Subordinate Bonds and for remitting the redemption price thereof to such Beneficial Owners. Any failure by DTC or DTC Participants to notify a Beneficial Owner of the Series 2022B Subordinate Bonds of any such notice of redemption and its content or effect will not affect the validity of the redemption of the Series 2022B Subordinate Bonds.

#### **Acknowledgment by Owners and Beneficial Owners**

By acceptance of the Series 2022B Subordinate Bonds or any Beneficial Ownership Interest therein, each Owner and Beneficial Owner of the Series 2022B Subordinate Bonds will be deemed to have agreed and consented to all of the limitations in respect of the payment of the principal of, premium, if any, and interest on the Series 2022B Subordinate Bonds contained in the Series 2022B Subordinate Bonds, the Subordinate Indenture, the Authorizing Resolution and the District’s Service Plan. The Owners and Beneficial Owner of the Series 2022B Subordinate Bonds will also be deemed to have: (a) acknowledged that (i) the Series 2022B Subordinate Bonds are issuable initially only in minimum denominations of \$500,000 and integral multiples of \$1,000 in excess thereof, (ii) the Series 2022B Subordinate Bonds are not



being registered under the Securities Act of 1933, as amended, (iii) the Series 2022B Subordinate Bonds are not being registered or otherwise qualified for sale under the “blue sky” laws and regulations of any state, and (iv) as of the Issue Date the Series 2022B Subordinate Bonds will not carry a rating from any rating service; (b) acknowledged and agreed that the Series 2022B Subordinate Bonds and any interest therein may and shall be sold, transferred or otherwise disposed of only in Series 2022B Authorized Denominations; and (c) acknowledged and agreed that the District, the Subordinate Indenture Trustee, the Underwriter and others will rely upon the truth and accuracy of the foregoing acknowledgments, consents and agreements.

## **Security and Sources of Payment**

**Limited Tax Obligations.** The Series 2022B Subordinate Bonds constitute limited tax general obligations of the District which are payable on a basis that is subordinate to the Series 2022A Senior Bonds.

**Source of Payment of the Series 2022B Subordinate Bonds; Subordinate Lien.** The Series 2022B Subordinate Bonds will be payable solely from certain revenues and funds comprising the Subordinate Trust Estate, including the Subordinate Pledged Revenue and amounts on deposit from time to time in the Subordinate Bond Fund. The Series 2022B Subordinate Bonds constitute an irrevocable and exclusive lien on the Subordinate Pledged Revenue. See “*Additional Bonds Payable from the Subordinate Pledged Revenue*” hereafter in this section. See “*Additional Bonds Payable from the Subordinate Pledged Revenue*” hereafter in this section.

The creation, perfection, enforcement and priority of the pledge of the Subordinate Pledged Revenue to secure or pay the Series 2022B Subordinate Bonds are governed by the Supplemental Act and the Subordinate Indenture. The Subordinate Pledged Revenue is subject to the lien of such pledge without any physical delivery, filing or further act. The lien of such pledge on the Subordinate Pledged Revenue will be on a parity with any Subordinate Parity Bonds, will have priority over any and all other obligations and liabilities of the District and will be valid, binding and enforceable as against all persons having claims of any kind in tort, contract or otherwise against the District irrespective of whether such persons have notice of such liens.

**Cash Flow Nature of the Series 2022B Subordinate Bonds; Result of Insufficiency of Subordinate Pledged Revenue.** The Series 2022B Subordinate Bonds are structured as “cash flow” bonds. Interest on the Series 2022B Subordinate Bonds is payable on each Subordinate Bonds Interest Payment Date solely from and to the extent of any Subordinate Pledged Revenue available therefor. There are no scheduled payments of principal of the Series 2022B Subordinate Bonds prior to their maturity date, but rather the Series 2022B Subordinate Bonds are subject to mandatory redemption in part on each Series 2022B Subordinate Bonds Mandatory Redemption Date and upon the maturity date of the Series 2022B Subordinate Bonds to the extent of moneys on deposit, if any, in the Subordinate Mandatory Redemption Account of the Subordinate Bond Fund 45 days prior to the applicable Series 2022B Subordinate Bonds Mandatory Redemption Date, as more particularly described in “*Redemption Prior to Maturity – Mandatory Redemption*” and “*Subordinate Bond Fund*” in this section.

*The Subordinate Pledged Revenue and the amounts available in the funds pledged to the payment of the Series 2022B Subordinate Bonds may not necessarily be sufficient to pay the principal of, premium, if any, and interest on the Series 2022B Subordinate Bonds when due. However, so long as the District neither fails nor refuses to impose the Subordinate Required Mill Levy or to apply the Subordinate Pledged Revenue as required by the Subordinate Indenture, the inability of the District to pay the principal of, premium, if any, or interest on the Series 2022B Subordinate Bonds when due will not, of itself, constitute a Subordinate Indenture Event of Default. Any principal of a Series 2022B Subordinate Bond that is not paid when due will remain outstanding until either paid or the Subordinate Termination date discussed hereafter, and any interest on a Series 2022B Subordinate Bond that is not paid when due will compound annually on each Subordinate Bonds Interest Payment Date at the interest rate borne by such Series 2022B Subordinate Bond; provided, however, that the District will not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2022B Subordinate Bonds, and all Series 2022B*

*Subordinate Bonds will be deemed to be defeased and no longer outstanding upon the payment by the District of such amount.*

***Subordinate Termination Date.*** Notwithstanding anything in the Subordinate Indenture to the contrary, all of the Series 2022B Subordinate Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 31, 2049, regardless of the amount of principal and interest paid on the Series 2022B Subordinate Bonds prior to such Subordinate Termination Date.

***The Subordinate Pledged Revenue.*** The Subordinate Pledged Revenue is defined in the Subordinate Indenture as the moneys derived by the District from (i) the Subordinate Required Mill Levy, (ii) the Subordinate Pledged Specific Ownership Taxes, and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Subordinate Indenture Trustee for application as Subordinate Pledged Revenue. Each of these sources of Subordinate Pledged Revenue is discussed in the greater detail hereafter.

***Subordinate Required Mill Levy.*** The Subordinate Pledged Revenue is expected to be comprised primarily of the revenue to be derived from the Subordinate Required Mill Levy (less the O&M Carve-out), which for purposes of the Subordinate Indenture means the following:

- Subject to the paragraph below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount not in excess of 53.663 mills commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification, and then not in excess of 51.663 mills commencing with the December 2025 mill levy certification and continuing each year thereafter, less the amount of the Senior Bond Mill Levy, or such lesser mill levy which will fund the Subordinate Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full; provided however, that in the event the method of calculating assessed valuation is or was changed after January 1, 2021, the minimum and maximum mill levies provided in the Subordinate Indenture shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation. It is the intent of the Subordinate Indenture that if the amount of the Senior Bond Mill Levy equals or exceeds the mill levies set forth above in any year, adjusted for changes as aforesaid, the Subordinate Required Mill Levy for that year shall be zero.
- Notwithstanding the foregoing, in no event is the Subordinate Required Mill Levy to be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Subordinate Required Mill Levy as calculated above would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Subordinate Required Mill Levy is to be reduced to the point that such maximum tax increase is not exceeded.
- "O&M Carve-out" means the current and annual reasonable operation, maintenance and administrative obligations and reasonable budgetary reserves for the District, which shall be an amount equal to \$50,000 in 2022, with such amount increasing by one-percent (1%) annually thereafter.

*It is the intent of the Subordinate Indenture that if the amount of the Senior Bond Mill Levy equals or exceeds the mill levies set forth above for any year, adjusted as aforesaid, the Subordinate Required Mill Levy for that year will be zero.*

The Series 2022B Subordinate Bonds are not secured directly by any lien on property located within the District, but rather by the District's covenant to cause to be levied by the Board of County Commissioners of Weld County, on all of the taxable property in the District, in addition to all other taxes, direct annual taxes in each of the years 2022 to 2048 (for collection in 2049), inclusive in the amount of the Subordinate Required Mill Levy for the foregoing purposes. Such annual levy for debt service creates a statutory tax lien that may be enforced to the extent that taxes are delinquent in a given year. See "DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – *Historical Mill Levies and Property Tax Collections for the District.*" The District is not required to levy an ad valorem property tax for such purposes in excess of the Subordinate Required Mill Levy.

*Subordinate Pledged Specific Ownership Taxes.* The Subordinate Pledged Revenue also includes the portion of the Specific Ownership Taxes, if any, which is collected as a result of the imposition of the Subordinate Required Mill Levy. See "DISTRICT FINANCIAL INFORMATION – Specific Ownership Taxes."

*Other.* The Subordinate Pledged Revenue also includes any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Subordinate Indenture Trustee for application as Subordinate Pledged Revenue.

*The Surplus Fund.* The Subordinate Indenture additionally provides that the District shall cause to be immediately transferred to the Subordinate Indenture Trustee, for deposit to the Subordinate Bond Fund (and application to payment of the Bonds), all amounts released from the Surplus Fund upon the final payment of the Series 2022A Senior Bonds in accordance with the Senior Indenture. See "THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *The Surplus Fund.*"

***Application of Subordinate Pledged Revenue; Flow of Funds.*** The District shall transfer all amounts comprising Subordinate Pledged Revenue to the Subordinate Indenture Trustee as soon as may be practicable after the receipt thereof, and in no event later than the 15th day of the calendar month immediately succeeding the calendar month in which such revenue is received by the District; provided, however, that in the event that the total amount of Subordinate Pledged Revenue received by the District in a calendar month is less than \$50,000, the Subordinate Pledged Revenue received in such calendar month may instead be remitted to the Subordinate Indenture Trustee no later than the 15th day of the calendar month immediately succeeding the calendar quarter in which such revenue is received by the District (i.e., no later than April 15th for Subordinate Pledged Revenue received in January, February or March, no later than July 15th for Subordinate Pledged Revenue received in April, May or June, no later than October 15th for Subordinate Pledged Revenue received in July, August or September, and no later than January 15th for Subordinate Pledged Revenue received in October, November or December). IN NO EVENT IS THE DISTRICT PERMITTED TO APPLY ANY PORTION OF THE SUBORDINATE PLEDGED REVENUE TO ANY OTHER PURPOSE, OR TO WITHHOLD ANY PORTION OF THE SUBORDINATE PLEDGED REVENUE. In addition, in order to assure the proper application of moneys constituting Subordinate Pledged Revenue, on and after the date of issuance of any Additional Bonds, the District shall also transfer or make available to the Subordinate Indenture Trustee all moneys pledged to the payment of such Additional Bonds which are derived from ad valorem taxes of the District, or Specific Ownership Taxes, and any such moneys shall constitute part of the Trust Estate. The Subordinate Indenture Trustee shall apply the Subordinate Pledged Revenue and such other moneys in the following order of priority. For purposes of the following: (i) the priorities established below are intended to create a tiered "waterfall" structure in which no Subordinate Pledged Revenue flows to a lower priority until all of the higher priorities have been fully funded as provided in the Subordinate Indenture; (ii) when credits to more than one fund,

account, or purpose are required at any single priority level, such credits shall rank *pari passu* with each other, and (iii) when credits are required to go to funds or accounts which are not held by the Subordinate Indenture Trustee under the Subordinate Indenture, the Subordinate Indenture Trustee may conclusively rely upon the written instructions of the District with respect to the appropriate funds or accounts to which such credits are to be made.

- FIRST: To the Subordinate Indenture Trustee, in an amount sufficient to pay the Subordinate Indenture Trustee Fees then due and payable and to pay the costs of any audit required by the Subordinate Indenture;
- SECOND: To the credit of the Subordinate Bond Fund, the amounts required by the Subordinate Indenture; Mandatory Redemption”, and to the credit of any other similar fund or account established for the payment of the principal of, premium if any, and interest on any additional Subordinate Bonds, including any sinking fund, reserve fund, or similar fund or account established in connection with such additional Subordinate Bonds, the amounts required by the resolution or other enactment authorizing issuance of such additional Subordinate Bonds; and
- THIRD: To the credit of any other fund or account as may be designated by the District in writing to the Subordinate Indenture Trustee, to be used for any lawful purpose, any Subordinate Pledged Revenue remaining after the payments and accumulations set forth above.

The District shall also cause to be immediately transferred to the Subordinate Indenture Trustee, for deposit to the Subordinate Bond Fund (and application to payment of the Bonds), all amounts released from the Surplus Fund upon the final payment of the Series 2022A Senior Bonds in accordance with the Senior Indenture. See “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *The Surplus Fund*.”

***The Subordinate Bond Fund; Mandatory Redemption.*** For so long as the Series 2022B Subordinate Bonds are the only Subordinate Bonds then Outstanding, all Subordinate Pledged Revenue received by the Subordinate Indenture Trustee shall be credited to the Subordinate Bond Fund until the amount therein is sufficient to fully pay, satisfy, and discharge all of the Bonds. Additional Subordinate Bonds may be issued if all conditions to their issuance under the Subordinate Indenture have been met. If any Subordinate Bonds other than the Bonds are issued, the District will so inform the Subordinate Indenture Trustee in writing, and thereafter the Subordinate Pledged Revenue shall be allocated between the Bonds and such other Subordinate Bonds on a pro rata basis, in accordance with the relative outstanding principal amounts of such issues.

Moneys in the Subordinate Bond Fund shall be used by the Subordinate Indenture Trustee solely to pay the principal of and interest on the Bonds, in the following order:

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

In the event that available moneys in the Subordinate Bond Fund are insufficient for the payment of the principal of and interest due on the Bonds on any due date, the Subordinate Indenture Trustee shall apply such amounts on such due date as follows:

FIRST: the Subordinate Indenture Trustee shall pay such amounts as are available, proportionally in accordance with the amount of interest due on each Bond.

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

On each November 15 the Subordinate Indenture Trustee shall determine the amount credited to the Subordinate Bond Fund and, to the extent the amount therein is in excess of the amount required to pay interest on the Bonds due on the next succeeding interest payment date (including current interest, accrued but unpaid interest, and interest due as a result of compounding, if any), the Subordinate Indenture Trustee shall promptly give such notice of redemption and take such other actions as necessary to redeem as many Bonds as can be redeemed with such excess moneys. Such redemptions shall be made by the Subordinate Indenture Trustee on the next interest payment date, and amounts insufficient to redeem at least one Bond in the denomination of \$1,000 will be retained in the Subordinate Bond Fund. The mandatory redemption provided in the Subordinate Indenture shall be made by the Subordinate Indenture Trustee without further instruction from the District and notwithstanding any instructions from the District to the contrary. Notwithstanding anything in the Subordinate Indenture to the contrary, it is understood and agreed that borrowed moneys shall not be used for the purpose of redeeming principal of the Bonds pursuant to this paragraph. See also “Redemption Prior to Maturity – *Mandatory Redemption*” in this section.

#### **Additional Bonds Payable from the Subordinate Pledged Revenue**

Subject to certain conditions, the Subordinate Indenture permits the District to issue additional Subordinate Bonds (within the meaning of the Subordinate Indenture). See “APPENDIX E – SELECTED PROVISIONS OF THE SUBORDINATE INDENTURE – Additional Bonds Payable from the Subordinate Pledged Revenue” and “DISTRICT DEBT STRUCTURE – General Obligations – *Available Voter-Approved Borrowing Authority*,” as well as “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *Additional Bonds Payable from the Senior Pledged Revenue*.”

#### **Additional Provisions of the Subordinate Indenture**

Included herein as “APPENDIX E – SELECTED PROVISIONS OF THE SUBORDINATE INDENTURE” are selected additional provisions of the Subordinate Indenture, including those pertaining to, among other things, tax covenants and other general covenants of the District, defaults and remedies, amendments and supplements to the Subordinate Indenture, defeasance and the Subordinate Indenture Trustee.



## REQUIRED AND FORECAST DEBT SERVICE PAYMENTS ON THE BONDS

The following table sets forth the scheduled debt service requirements to maturity for the Series 2022A Senior Bonds and the forecast debt service payments for the Series 2022B Subordinate Bonds.

### Debt Service Requirements for the Series 2022A Senior Bonds and Forecast Debt Service Payments on the Series 2022B Subordinate Bonds

(Totals may not add due to rounding)

Year	Series 2022A Senior Bonds			Series 2022B Subordinate Bonds <sup>1</sup>			Annual
	Principal <sup>2</sup>	Interest <sup>3</sup>	Total	Principal <sup>4</sup>	Interest <sup>3</sup>	Total	Total
2022	\$220,000	\$164,450	\$384,450	\$ -	\$ -	\$ -	\$384,450
2023	120,000	347,800	467,800	-	-	-	467,800
2024	145,000	341,800	486,800	-	67,981	67,981	554,781
2025	150,000	334,550	484,550	-	155,156	155,156	639,706
2026	145,000	327,050	472,050	-	177,250	177,250	649,300
2027	150,000	319,800	469,800	58,000	120,471	178,471	648,271
2028	170,000	312,300	482,300	123,000	83,775	206,775	689,075
2029	180,000	303,800	483,800	130,000	74,550	204,550	688,350
2030	195,000	294,800	489,800	176,000	64,800	240,800	730,600
2031	205,000	285,050	490,050	189,000	51,600	240,600	730,650
2032	225,000	274,800	499,800	239,000	37,425	276,425	776,225
2033	235,000	263,550	498,550	257,000	19,500	276,500	775,050
2034	260,000	251,800	511,800	3,000	225	3,225	515,025
2035	275,000	238,800	513,800	-	-	-	513,800
2036	295,000	225,050	520,050	-	-	-	520,050
2037	310,000	210,300	520,300	-	-	-	520,300
2038	340,000	194,800	534,800	-	-	-	534,800
2039	350,000	181,200	531,200	-	-	-	531,200
2040	375,000	167,200	542,200	-	-	-	542,200
2041	390,000	152,200	542,200	-	-	-	542,200
2042	420,000	136,600	556,600	-	-	-	556,600
2043	435,000	119,800	554,800	-	-	-	554,800
2044	465,000	102,400	567,400	-	-	-	567,400
2045	480,000	83,800	563,800	-	-	-	563,800
2046	515,000	64,600	579,600	-	-	-	579,600
2047	535,000	44,000	579,000	-	-	-	579,000
2048	565,000	22,600	587,600	-	-	-	587,600
2049	-	-	-	-	-	-	-
	\$8,150,000	\$5,764,900	\$13,914,900	\$1,175,000	\$852,734	\$2,027,734	\$15,942,633

<sup>1</sup> Principal and interest on the Series 2022B Subordinate Bonds are payable solely from and to the extent of Subordinate Pledged Revenue. There are no scheduled payments of principal of the Series 2022B Subordinate Bonds until maturity. The amounts set forth in this table are the projected payments of principal of and interest on the Series 2022B Subordinate Bonds as set forth in the Financial Forecast based upon the assumptions stated therein. No assurance is given that the level of Subordinate Pledged Revenue projected in the Financial Forecast will be achieved or that payment of the principal of or interest on the Series 2022B Subordinate Bonds will be paid as set forth in this table. Failure to pay the amounts set forth above with respect to the Series 2022B Subordinate Bonds will not necessarily constitute a Subordinate Indenture Event of Default. See "THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment – Cash Flow Nature of Series 2022B Subordinate Bonds; Consequence of Insufficiency of Subordinate Pledged Revenue" and "APPENDIX B – FINANCIAL FORECAST."

<sup>2</sup> See "THE SERIES 2022A SENIOR BONDS – Redemption Prior to Maturity – Mandatory Sinking Fund Redemption."

<sup>3</sup> See the inside front cover of this Official Statement for the interest rates on the Bonds.

<sup>4</sup> See "THE SERIES 2022B SUBORDINATE BONDS – Redemption Prior to Maturity – Mandatory Redemption."

Sources: The Underwriter (for Series 2022A Senior Bonds debt service only) and the Financial Forecast (for the forecast debt service payments on the Series 2022B Subordinate Bonds).

## ASSESSED VALUE APPRECIATION REPORT

An analysis of the annual appreciation of residential market values in the District dated January 22, 2022 and revised on May 13, 2022 (the "Assessed Value Appreciation Report") has been prepared for the District by King & Associates Inc., Littleton, Colorado ("King") and is appended to this Official Statement as "APPENDIX C – ASSESSED VALUE APPRECIATION REPORT." King examined residential market value trends in the City of Dacono and the Greeley market areas (including all of Weld County) and has projected that the actual value of homes in the District will appreciate at an annual rate of 3% (6% biennially) through 2049, which assumption has been used in the Financial Forecast discussed in the following section

to forecast the projected payment schedule of the Bonds. The Assessed Value Appreciation Report should be read in its entirety for an understanding of the methodology and the underlying assumptions contained therein. *The Assessed Value Appreciation Report is based on key assumptions and, like any forecast, is inherently subject to variations in the assumed data. Past increases in assessed value are not a guarantee that assessed values will increase in the future. Further, assessed values are likely to decrease in certain future years even if the overall trend of assessed values is to increase in the future. Actual results will vary from those projected, and such variations may be material. Further, the Assessed Value Appreciation Report was completed during the COVID-19 outbreak. At the time of the Assessed Value Appreciation Report, the impacts of COVID-19 upon national and local real estate markets had not been fully determined. The findings in the Assessed Value Appreciation Report have been based on the real estate market information from 2012 to 2021 (i.e., prior to and in the early stages of the COVID-19 outbreak) and actual future assessed values in the District given impacts from the COVID-19 outbreak may differ, possibly materially, from the findings and conclusions detailed in the Assessed Value Appreciation Report. See also “ASSESSED VALUE APPRECIATION REPORT,” “PRELIMINARY NOTICES – Cautionary Statement Regarding Forecasts, Estimates and Other Forward Looking Statements” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Risks Inherent in Forward-Looking Statements.”*

## **FINANCIAL FORECAST**

A forecasted statement of sources and uses of cash of the District for calendar years 2022 through 2049 (the “Financial Forecast”) has been prepared for the District by Causey Demgen & Moore P.C., Certified Public Accountants, Englewood, Colorado, and is appended in its entirety to this Official Statement. The Financial Forecast was prepared for the purpose of providing information to the District regarding the District’s ability to meet the debt service requirements of the Bonds when due, and, among other things, includes a schedule of the estimated future assessed valuation of the District. The Financial Forecast is based on the specific information, assumptions and limitations stated therein, including the conclusions of the Assessed Value Appreciation Report.

In addition, for purposes of additional analysis, the Financial Forecast includes a hypothetical alternative projection that uses a different assumption as to the inflation rate of the market value of property in the District than the assumption made in the base case scenario. Under the alternative hypothetical projection, the Financial Forecast assumes a reduced biennial reassessment rate of 2% (instead of 3%, which is the assumption used in the base case scenario). Under the alternative hypothetical projection, principal and interest on the Series 2022A Senior Bonds would still be paid by in full by their scheduled maturity date of December 1, 2048, however, principal and interest on the Series 2022B Subordinate Bonds would not be repaid until December 15, 2044 (which is in advance of the Termination Date). See Note 9 to the Financial Forecast for the hypothetical assumptions made for the alternative projection.

No assurance can be given that actual future market values or future Senior Required Mill Levy or Subordinate Required Mill Levy amounts will be as presented in the Financial Forecast. The Financial Forecast should be read in its entirety for an understanding of the methodology and the underlying assumptions contained therein. Prospective investors are cautioned that any forecast is subject to uncertainties, and that inevitably some assumptions used to develop the Financial Forecast will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted and actual results, and such differences may be material. No representation or guarantee is made herein that the results of the Financial Forecast will be realized. See “APPENDIX B – FINANCIAL FORECAST,” and “APPENDIX C – ASSESSED VALUE APPRECIATION REPORT” as well as “PRELIMINARY NOTICES – Cautionary Statement Regarding Forecasts, Estimates and Other Forward Looking Statements” and “RISKS AND OTHER INVESTMENT CONSIDERATIONS – Factors Affecting Increases in Assessed Valuation from Planned Development – Risks Inherent in Forward-Looking Statements.”

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2022A Senior Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Series 2022A Senior Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2022A Senior Bonds when due as set forth in the form of the Policy included as APPENDIX K to this Official Statement.

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

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$466.8 million, \$172.1 million and \$294.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above

(Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading “BOND INSURANCE”.

*Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM’s website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

## **RISKS AND OTHER INVESTMENT CONSIDERATIONS**

The following is a discussion of certain risks and other factors to be considered in connection with a prospective investment in the Bonds. Prospective investors should fully understand and evaluate these risks and other factors, as well as the information set forth elsewhere in this Official Statement, in order to make an informed investment decision. Each prospective investor is urged to consult with its own legal, financial and tax advisors to determine whether an investment in the Bonds is appropriate for such prospective investor.

*This section is not intended to be an exhaustive list of all risks associated with an investment in the Bonds, nor are the risks set forth in this section necessarily presented in order of relevance, materiality or importance.*

## **Risks Related to the COVID-19 (Coronavirus) Pandemic**

The ongoing and ever evolving COVID-19 pandemic continues to alter the behavior of individuals and businesses in a manner that is having significant negative effects on global, national and local economies, including, among other things, labor shortages in certain economic sectors and supply chain disruptions, which in turn has contributed to a significant increase in short term inflation and created uncertainty over more permanent inflationary concerns.

Numerous actions have been taken at the federal level in an attempt to address the epidemiological and economic impacts of the pandemic, including, without limitation, the financing, distribution and access to the receipt of vaccines and testing supplies, as well as the provision of stimulus payments and other fiscal and monetary relief to citizens and eligible businesses. In addition, numerous actions have also been taken by Colorado Governor Polis to implement measures designed to mitigate the spread of COVID-19 within the State and protect against overwhelming the State's health care resources. These executive orders also required that public health orders be issued by the Colorado Department of Public Health and Environment ("CDPHE") to implement the Governor's executive orders. The CDPHE provides information relating to COVID-19 and related developments in the State on its website, <https://colorado.gov/cdphe/>.\*

In 2020, as the result of the economic impact of COVID-19, the Governor Polis issued an executive order, which was followed by the adoption of legislation by the Colorado legislature, known as the "General Assembly," which authorized the waiver or suspension of interest accrued on delinquent property tax payments due that year. It is not possible to predict whether similar executive or legislative action could be taken in the future or the extent of the impact that any such actions may have on the receipt of the property taxes that constitute the primary source of the Senior Pledged Revenue and the Subordinate Pledged Revenue.

It is unknown how long or extensive the spread of the COVID-19 will continue to be in the nation or the State, how long the current restrictions will remain in place or whether new restrictions will be put in place, and these things may change rapidly. There can be no assurance that the continuation of the COVID-19 pandemic and the implementation or continuation of restrictions on a local, State and national level will not materially impact the local, State and national economies or that such events will not materially adversely affect the amount or timing of receipt of the Pledged Revenue available for payment of the Bonds. In particular, it is possible that the economic impact of COVID-19 could cause the assessed value of property in the District to decrease and/or could materially impair the development of property in the District.

Furthermore, national and global financial markets may experience significant volatility in connection with the ongoing COVID-19 pandemic, which in turn may have a material impact on the price of the Bonds in the secondary market. The District cannot predict how or to what extent the continuation of the COVID-19 pandemic will impact short term and long term economic conditions locally, nationally or globally, the short term or long term financial condition of the District, the amount of Senior Pledged Revenue and Subordinate Pledged Revenue available to pay the Bonds or an investment in the Bonds.

The assumptions, information and conclusions in the Financial Forecast and the Assessed Value Appreciation Report must be read and considered in the context of the matters described above, which may materially and adversely affect the assumptions, information and conclusions set forth in such reports. See "FINANCIAL FORECAST," "APPENDIX B – FINANCIAL FORECAST," "APPENDIX C – ASSESSED VALUE APPRECIATION REPORT" and "PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward Looking Statements."

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\* 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.



## **Factors Affecting the Series 2022A Senior Bonds Only**

***Series 2022A Senior Bonds Constitute Limited Tax General Obligations.*** The Series 2022A Senior Bonds will constitute limited tax general obligations of the District payable solely from and to the extent of the Senior Pledged Revenue, consisting primarily of the revenue derived from ad valorem property taxes that may be levied against taxable property within the District, less the O&M Carve-out, and only to the extent of the Senior Required Mill Levy of not more than 53.663 mills (commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification), or 51.663 mills (commencing with the December 2025 mill levy certification and continuing each year thereafter), subject to adjustment as described herein, as well as from the Senior Pledged Specific Ownership Taxes, and any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Senior Indenture Trustee for application as Senior Pledged Revenue. The Series 2022A Senior Bonds are also payable from amounts on deposit in the Senior Reserve Fund and the Surplus Fund. The Series 2022A Senior Bonds are not secured by any lien or mortgage on or security interest in any property other than the Senior Pledged Revenue and the moneys and investments held in the Senior Bond Fund, the Senior Reserve Fund and the Surplus Fund to the extent provided in the Senior Indenture. See generally “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment” and “DISTRICT FINANCIAL INFORMATION,” as well as “*No Assurance of Funding Level of the Surplus Fund*” in this section.

***No Assurance of Funding Level of the Surplus Fund.*** The Series 2022A Senior Bonds will be payable, if necessary, from amounts on deposit in the Surplus Fund. The Surplus Fund will not be funded from proceeds of the Bonds, but rather is required to be funded up to the Maximum Surplus Amount solely from and to the extent of any Senior Pledged Revenue remaining after required deposits are made to the Senior Bond Fund and the Senior Reserve Fund and any similar funds and accounts created in connection with any Senior Parity Obligations. Consequently, there can be no assurance as to the amount that will be on deposit in the Surplus Fund at any particular time. If the amount on deposit in the Surplus Fund is insufficient to fully fund a deficiency in the Senior Bond Fund, the Senior Indenture Trustee is then required to apply thereto amounts on deposit in the Senior Reserve Fund. See “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *Application of Senior Pledged Revenue; Flow of Funds – The Surplus Fund,*” as well as “Risks Inherent in Forward-Looking Statements” in this section and “PRELIMINARY NOTICES – Cautionary Statement Regarding Forecasts, Estimates and Other Forward Looking Statements.”

***Inability to Pay the Series 2022A Senior Bonds Not Necessarily a Senior Indenture Event of Default.*** So long as the District neither fails nor refuses to impose the Senior Required Mill Levy or to apply the Senior Pledged Revenue as required by the terms of the Senior Indenture, the inability of the District to pay the Series 2022A Senior Bonds when due will not constitute a Senior Indenture Event of Default. Any principal of a Series 2022A Senior Bond that is not paid when due will remain outstanding until paid, and any interest on a Series 2022A Senior Bond that is not paid when due will compound semiannually on each Senior Bonds Interest Payment Date at the interest rate borne by such Series 2022A Senior Bond; provided, however, that the District will not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2022A Senior Bonds, and all Series 2022A Senior Bonds will be deemed to be defeased and no longer outstanding upon the payment by the District of such amount. See “THE SERIES 2022A SENIOR BONDS – General Provisions – Security and Sources of Payment – *Limited Tax Obligations – The Senior Pledged Revenue,*” “DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – *General.*”

***Series 2022A Senior Bonds Deemed to be Paid on the Senior Termination Date.*** All of the Series 2022A Senior Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 31, 2049, regardless of the amount of principal and interest paid the Series 2022A Senior Bonds prior to such Senior Termination Date. See “THE SERIES 2022A SENIOR BONDS – General Provisions – Security and Sources of Payment – *Senior Termination Date.*”

## **Factors Affecting the Series 2022B Subordinate Bonds Only**

***Series 2022B Subordinate Bonds Constitute Limited Tax Obligations.*** The Series 2022B Subordinate Bonds will constitute Limited Tax Obligations of the District payable solely from and to the extent of the Subordinate Pledged Revenue, consisting primarily of the revenue derived from ad valorem property taxes that may be levied against taxable property within the District, less the O&M Carve-out, only to the extent of the Subordinate Required Mill Levy of 53.663 mills (commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification), or 51.663 mills (commencing with the December 2025 mill levy certification and continuing each year thereafter), subject to adjustment as described herein, less the Senior Required Mill Levy, as well as from the Subordinate Pledged Specific Ownership Taxes and any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Subordinate Indenture Trustee for application as Subordinate Pledged Revenue. The Series 2022B Subordinate Bonds are not secured by any lien or mortgage on or security interest in any property other than the Subordinate Pledged Revenue and the moneys and investments held in the Subordinate Bond Fund to the extent provided in the Subordinate Indenture. See generally “THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment” and “DISTRICT FINANCIAL INFORMATION.”

***Subordinate Required Mill Levy Subordinate to the Obligation to Impose the Senior Required Mill Levy.*** The Subordinate Required Mill Levy is limited over the entire term of the Series 2022B Subordinate Bonds to a net levy of 53.663 mills (commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification), or 51.663 mills (commencing with the December 2025 mill levy certification and continuing each year thereafter), as adjusted, less the rate of the Senior Required Mill Levy. As such, the District is required to levy a minimum of 53.663 mills (commencing with the December 2022 mill levy certification and continuing through the December 2024 mill levy certification), or 51.663 mills (commencing with the December 2025 mill levy certification and continuing each year thereafter), as adjusted, so long as the amount on deposit in the Surplus Fund is less than the Maximum Surplus Amount, and as a result the Subordinate Required Mill Levy will be zero at least until such time as the Surplus Fund is fully funded in the amount of the Maximum Surplus Amount, which is forecasted to occur in 2024 under the Financial Forecast. See “THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment – *The Subordinate Pledged Revenue – Subordinate Required Mill Levy.*” “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *The Senior Pledged Revenue – Senior Required Mill Levy.*” “DEBT SERVICE REQUIREMENTS,” “DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – District Property Tax Data.”

***Cash Flow Nature of the Series 2022B Subordinate Bonds.*** The Series 2022B Subordinate Bonds are structured as “cash flow” bonds. Interest on the Series 2022B Subordinate Bonds is payable on each Subordinate Bonds Interest Payment Date and on the maturity date of the Series 2022B Subordinate Bonds to the extent of any Subordinate Pledged Revenue available therefor. There are no scheduled payments of principal of the Series 2022B Subordinate Bonds prior to their maturity date, but rather the Series 2022B Subordinate Bonds are subject to mandatory redemption on each Series 2022B Subordinate Bonds Mandatory Redemption Date to the extent of moneys on deposit, if any, in the Subordinate Mandatory Redemption Account of the Subordinate Bond Fund 45 days prior to the applicable Series 2022B Subordinate Bonds Mandatory Redemption Date and subject to any minimum requirements with respect to the principal amount of Series 2022B Subordinate Bonds to be redeemed as provided in the Subordinate Indenture, as more particularly described in “THE SERIES 2022B SUBORDINATE BONDS – Redemption Prior to Maturity – *Mandatory Redemption* – Security and Sources of Payment – *Subordinate Bond Fund.*” See also “THE SERIES 2022B SUBORDINATE BONDS – General Provisions,” as well as “*Inability to Pay the Series 2022B Subordinate Bonds Not Necessarily a Subordinate Indenture Event of Default*” “ and “*Series 2022B Subordinate Bonds Deemed to be Paid on the Subordinate Termination Date*” hereafter.

**The Financial Forecast forecasts that there will be no Subordinate Pledged Revenue available to pay principal on the Series 2022B Subordinate Bonds until at least 2027.** Prospective investors are cautioned that the Financial Forecast is based on various assumptions specified therein and that actual results could differ materially from those contained in the Financial Forecast. See “REQUIRED AND FORECAST DEBT SERVICE PAYMENTS ON THE BONDS,” “FINANCIAL FORECAST,” “APPENDIX B – FINANCIAL FORECAST” and “FINANCIAL INFORMATION CONCERNING THE DISTRICTS – Ad Valorem Property Taxes – *Determination of Assessed Value*,” as well as “Risks Inherent in Forward-Looking Statements” hereafter in this section and “PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward Looking Statements.”

***Inability to Pay the Series 2022B Subordinate Bonds Not Necessarily a Subordinate Indenture Event of Default.*** So long as the District neither fails nor refuses to impose the Subordinate Required Mill Levy or to apply the Subordinate Pledged Revenue as required by the terms of the Subordinate Indenture, the inability of the District to pay the Series 2022B Subordinate Bonds when due will not, of itself, constitute a Subordinate Indenture Event of Default. Rather, the Series 2022B Subordinate Bonds will be payable as discussed in “*Cash Flow Nature of the Series 2022B Subordinate Bonds*” above. In no event, however, will the District be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Series 2022B Subordinate Bonds, and all Series 2022B Subordinate Bonds will be deemed to be defeased and no longer outstanding upon the payment by the District of such amount. See “THE SERIES 2022B SUBORDINATE BONDS – General Provisions – Security and Sources of Payment – *Cash Flow Nature of the Series 2022B Subordinate Bonds; Result of Insufficiency of Subordinate Pledged Revenue*,” as well as “*Series 2022B Subordinate Bonds Deemed to be Paid on the Subordinate Termination Date*” hereafter.

***Series 2022B Subordinate Bonds Deemed to be Paid on the Subordinate Termination Date.*** All of the Series 2022B Subordinate Bonds and interest thereon will be deemed to be paid, satisfied and discharged on December 31, 2049, regardless of the amount of principal and interest paid the Series 2022B Subordinate Bonds prior to such Subordinate Termination Date. See “THE SERIES 2022B SUBORDINATE BONDS – General Provisions – Security and Sources of Payment – *Subordinate Termination Date*.”

***Limited Offering of the Series 2022B Subordinate Bonds; Restrictions on Purchase; Investor Suitability.*** The offering of the Series 2022B Subordinate Bonds is being made to a limited number of knowledgeable and experienced investors who are not purchasing with a view to distributing the Series 2022B Subordinate Bonds. Each purchaser must be a “financial institution or institutional investor” as defined in §32-1-103(6.5), C.R.S., which has executed an investor letter in the form attached as APPENDIX J hereto. Moreover, the Series 2022B Subordinate Bonds are being issued in minimum denominations of \$500,000.

The foregoing standards are minimum requirements for prospective purchasers of the Series 2022B Subordinate Bonds. The satisfaction of such standards does not necessarily mean that the Series 2022B Subordinate 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 Series 2022B Subordinate Bonds is appropriate in light of its individual legal, tax and financial situation.

***No Credit Rating on the Series 2022B Subordinate Bonds; Risk of Investment.*** The Series 2022B Subordinate Bonds do not have a credit rating from any source and are not suitable investments for all investors. Each prospective purchaser is responsible for assessing the merits and risks of an investment in the Series 2022B Subordinate Bonds and must be able to bear the economic risk of such investment in the Series 2022B Subordinate Bonds.

***Reliance on Increase in Assessed Valuation.*** Repayment of the Series 2022B Subordinate Bonds assumes that the actual value of homes in the District will appreciate at an annual rate of 3% (6% biennially) through 2049, as projected in the Assessed Value Appreciation Report, which assumption has been used in the Financial Forecast. There is no guarantee that the actual value of property in the District will appreciate

at this rate. Additionally, if the actual value of property in the District appreciates at a rate lower than that which is projected in the Financial Forecast, the amount of Subordinate Pledged Revenue may be adversely affected. See “ASSESSED VALUE APPRECIATION REPORT.”

### **Dependence Upon Timely Payment of Property Taxes; Market Value of Property**

Delinquency in the payment of property taxes by the owners of property in the District may impair the District’s ability to pay the Bonds in a timely manner. Property taxes do not constitute a personal obligation of the property owner, but rather constitute a lien against the taxed property until paid. To enforce the payment of delinquent property taxes, the County Treasurer has the power to foreclose upon and sell the subject property in the manner provided by law. However, this remedy can be time consuming, and any such tax sale may be only for the amount of taxes and fees due and unpaid for the particular tax year. Regardless of the level at which property is assessed for ad valorem tax purposes, the District’s ability to enforce and collect the taxes generated by the Senior Required Mill Levy and the Subordinate Required Mill Levy is dependent upon the property in the District having a sufficient market value to support the taxes that are imposed against it. No assurance can be given as to the future market values of property in the District. See also “Foreclosures” hereafter, as well as “DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – *Historical Mill Levies and Property Tax Collections for the District.*”

### **Foreclosures**

The District’s ability to collect property tax revenue for timely payment of the Bonds will depend not only on development within the District, but also on the maintenance of an adequate tax base from which the District can collect sufficient property tax revenue from the imposition of the Senior Required Mill Levy and the Subordinate Required Mill Levy, which could be negatively affected by the occurrence of lender foreclosures of property in the District as well as in the vicinity of the District. Under current State law, if a borrower is approximately three months late with payment, and if the lender so requests, the public trustee of the county in which the property is located will send the borrower a “Notice of Election and Demand,” which officially places the property in foreclosure. Such filings can be “cured” or “withdrawn” before the property is sold at auction, meaning that not all foreclosure filings result in a final foreclosure sale. The period between a foreclosure filing and a foreclosure sale at auction must be at least 120 days, but in some cases this period can actually last much longer. The current foreclosure timeline, which has been in effect since 2008, was modified to allow for a longer cure period and ended the use of the “redemption period” concept.

Property owned by a lending institution as a result of a foreclosure is typically resold in the market at a depressed price, which results in a decrease in the assessed valuation of such property. In addition, a home foreclosure may have an immediate and/or long-term effect of depressing home prices in the surrounding area. The number of foreclosed homes re-entering the market at lower prices may result in a reduction of demand for new housing construction. Increased foreclosure rates could also cause lenders to tighten their lending practices and decrease their approvals of home loans, making it more difficult for potential homebuyers to finance home acquisitions.

### **Risks Inherent in Forward-Looking Statements**

This Official Statement contains statements relating to future results that are “forward looking statements” as defined in the federal Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” “assume” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. In addition, the Financial Forecast and the Assessed Value Appreciation Report appended to this Official Statement contains various forecasts based on the assumptions specified therein. The Financial Forecast also constitutes a “forward-looking statement” as defined in the Private



Securities Litigation Reform Act of 1995, and as such may involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements to be different from the future results, performance or achievements expressed or implied by such forward-looking statements. Prospective investors are cautioned that actual results could differ materially from those contained in the Financial Forecast. See “PRELIMINARY NOTICES – Cautionary Statement Regarding Projections, Estimates and Other Forward Looking Statements,” “FINANCIAL FORECAST,” “DISTRICT FINANCIAL INFORMATION – Projection of Future Assessed Valuation,” and “APPENDIX B – FINANCIAL FORECAST.”

### **Potential Conflicts of Interest of Members of the Board**

The Board of Directors of the District currently is comprised entirely of individuals who are principals or employees of, or are otherwise affiliated with, the Developer. Consequently, members of the Board may have actual or potential conflicts of interest with regard to the issuance of the Bonds and the application of proceeds thereof, as well as with regard to other activities of the District. State law requires a member of the Board to disqualify himself or herself from voting on any issue in which the director has a conflict of interest unless the director 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. However, compliance with this State law does not provide absolute certainty that contracts between the District and entities related to its directors, will not be subject to defenses or challenge on the basis of alleged conflicts. It is expected that interested members of the Board will comply with State law by making advance disclosure of their conflicts, and that they will not disqualify themselves from voting. See also “THE DISTRICT – Governing Board.”

### **Fire Risks and Other Disasters**

In recent years, the State has experienced numerous significant wildfires. According to the Rocky Mountain Area Coordination Center, in 2020 (which represents latest data available), more than 625,000 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, a major fire known as the “Marshall Fire” burned approximately 6,000 acres and destroyed over 1,000 homes and businesses. The Marshall Fire was located in a suburban area centered in Superior, Colorado, between Boulder and Denver. The fire area is located within approximately 25 miles of the District.

The fires have been attributed to, among other things, severe weather conditions such as drought, high winds and rising temperatures. Experts state 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. Additionally, a significant amount of vacant property and open space exists in the immediate proximity 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 Pledged Revenue and/or the Subordinate Pledged Revenue 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.



## **Legal Constraints on District Operations; Future Changes in Law**

Various Colorado laws and constitutional provisions govern the assessment and collection of ad valorem property taxes, the imposition of fees and charges, limit revenues and spending of the State and its local governments, such as the District, and govern generally the operations of the District. Colorado laws and constitutional provisions, as well as federal laws and regulations, also apply to the obligations created by the issuance of the Bonds. There can be no assurance that there will not be changes in such constitutional provisions, laws or regulations, or judicial or administrative interpretations thereof, which would have a material adverse effect, directly or indirectly, on the affairs of the District or the ability of the District to pay the Bonds. See generally “THE DISTRICT,” “DISTRICT FINANCIAL INFORMATION” and “DISTRICT DEBT STRUCTURE.”

### **Authority to Issue Additional Bonds**

The Indentures permit the District to issue Additional Bonds, including both senior and subordinate bonds for refunding purposes only, subject to the conditions discussed in “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE – Additional Bonds Payable from the Senior Pledged Revenue” and “APPENDIX E – SELECTED PROVISIONS OF THE SUBORDINATE INDENTURE – Additional Bonds Payable from the Subordinate Pledged Revenue” and the limitations discussed in “DISTRICT FINANCIAL INFORMATION – Tax, Revenue and Spending Limitations – *TABOR*” and “DISTRICT DEBT STRUCTURE – Authorization – General Obligations – *Debt Limits*.” However, in connection with the issuance of the Bonds, the District covenants not to issue any additional Senior Parity Bonds to fund capital improvements. See “DISTRICT DEBT STRUCTURE – General Obligations – *Available Voter-Approved Borrowing Authority*.”

### **Enforceability of Remedies Upon the Occurrence of an Event of Default Under the Indentures**

*Acceleration of maturity is not an available remedy upon the occurrence of a Senior Indenture Event of Default or a Subordinate Indenture Event of Default.* Consequently, following a Senior Indenture Event of Default or a Subordinate Indenture Event of Default, the remedies of the Owners, consisting primarily of a writ of mandamus requiring the District to perform the terms of the respective Indenture, as well as receivership, a suit for judgment or any other suit, action or proceeding available at law or in equity, may have to be enforced from time to time. The remedies available to the Owners of the Bonds upon the occurrence of a Senior Indenture Event of Default or a Subordinate Indenture Event of Default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law and judicial decisions, including specifically the U.S. Bankruptcy Code, and the obligations incurred by the District in issuing the Bonds may also be subject to the reasonable and necessary exercise of the sovereign police power of the State and its political subdivisions. Bankruptcy proceedings, or the exercise of the police power of the State or its political subdivisions, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modifications of these rights. See “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE – Defaults and Remedies” and “APPENDIX E – SELECTED PROVISIONS OF THE SUBORDINATE INDENTURE – Defaults and Remedies,” as well as “Factors Affecting the Series 2022A Senior Bonds Only – *Inability to Pay the Series 2022A Senior Bonds Not Necessarily a Senior Indenture Event of Default*” and “Factors Affecting the Series 2022B Subordinate Bonds Only – *Inability to Pay the Series 2022B Subordinate Bonds Not Necessarily a Subordinate Indenture Event of Default*” above in this section.

The legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization and insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles that may limit the specific enforcement under state law of certain remedies; to the

exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and to 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 an important public purpose. See “LEGAL MATTERS,” “APPENDIX H – FORM OF BOND COUNSEL OPINION FOR THE SERIES 2022A SENIOR BONDS” and “APPENDIX I – FORM OF BOND COUNSEL OPINION FOR THE SERIES 2022B SUBORDINATE BONDS.”

### **Loss of Tax Exemption; Other Tax Matters**

As discussed in “TAX MATTERS,” the interest on the Bonds could become includable in gross income for federal income tax purposes and/or become subject to income taxation by the State of Colorado as a result of a failure of the District to comply with certain covenants contained in the Indentures.

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

Bond Counsel will render its opinions as of the date of issuance of the Bonds, and will assume no obligation to update its opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. Moreover, Bond Counsel’s opinions are not binding on the courts or the Internal Revenue Service. Rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and upon the certifications, representations and covenants referenced above.

The Internal Revenue Service has an ongoing program of auditing state and local government obligations, which may include randomly selecting bond issues for audit, to determine whether interest, or amounts treated as interest, received by the owners of such obligations is properly excludable from gross income for federal income tax purposes. It cannot be predicted whether the Bonds will be audited. If an audit is commenced, under current Internal Revenue Service procedures, the owners of the Bonds may not be permitted to participate in the audit process. Moreover, public awareness of an audit of the Bonds could adversely affect their value and liquidity.

Prospective purchasers of Bonds should consult their own tax advisors as to the applicability and extent of federal, state, local or other tax consequences of the purchase, ownership and disposition of Bonds in light of their particular tax situation.

### **Restrictions on Transfer; No Assurance of Secondary Market**

The Bonds may not be sold, transferred or otherwise disposed of by the Owners and Beneficial Owners of the Bonds except in Authorized Denominations and otherwise in accordance with the respective Indentures. Further, there can be no assurance that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Series 2022B Subordinate Bonds or adverse history or economic prospects connected with a particular issue or industry, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing

circumstances. Such prices could be substantially different from the original purchase prices. Consequently, Owners may be required to bear the financial risks of this investment for an indefinite period of time. See also “THE SERIES 2022A SENIOR BONDS – Acknowledgement by Owners and Beneficial Owners” and “THE SERIES 2022B SUBORDINATE BONDS – Acknowledgement by Owners and Beneficial Owners.”

## THE DISTRICT

### Organization and General Description

**Generally.** The District was created in conjunction with Sweetgrass Metropolitan District No. 1 (“District No. 1”) and Sweetgrass Metropolitan District No. 3 (“District No. 3,” and, together with the District and District No. 1, the “Districts”) pursuant to respective orders and decrees organizing the Districts, each recorded by the District Court of Weld County (the “County”) on July 10, 2002. The Districts were organized pursuant to a consolidated service plan for the Districts approved by the City Council of the City (the “City Council”) on September 24, 2001 (as modified in 2009 and 2010, the “Original Service Plan”). The Original Service Plan was superseded and replaced in its entirety by an Amended and Restated Consolidated Service Plan (the “Service Plan”) which is dated as of November 19, 2021 and was approved by the City Council on November 22, 2021. The Districts were organized for the purpose of providing a part or all of the public improvements for the use and benefit of all anticipated inhabitants and taxpayers of the Districts and as part of a common plan to serve the needs of the “Sweetgrass” development, an approximately 495-acre master-planned community (as defined below, “Sweetgrass” or the “Development”). The Service Plan provides that a multiple-district structure is intended to accommodate the phasing of the Development and the infrastructure needs of each phase. The Service Plan further provides that it is contemplated that the Districts will cooperate with each other on certain infrastructure that benefits the taxpayers and inhabitants therein, and that each of the District, District No. 1, and District No. 3 will additionally have its own particular infrastructure needs. ***Only the District is subject to pay debt service on the Bonds. The property within District No. 1 and District No. 3 is not subject to taxation to pay debt service on the Bonds or otherwise obligated in any manner to pay the Bonds.***

The Districts operate in accordance with the authority, and subject to the limitations, of the Service Plan. Pursuant to the Service Plan and Title 32, Article 1, et seq., Colorado Revised Statutes (“C.R.S.”), as amended (the “Special District Act”), the Districts are authorized to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment and financing of streets, traffic and safety controls, water, storm and sanitation, park and recreation, transportation and mosquito control improvements, within and without the boundaries of the Districts to serve the future taxpayers and inhabitants of the Districts, except as specifically limited therein. The Service Plan provides that, subject to certain exceptions set forth therein, the Districts are to dedicate all public improvements to the City or other appropriate jurisdiction or owners’ association, to the extent not owned and operated by the District, subject to the limitations of the Service Plan. The Service Plan further specifies that except for park and recreation improvements and methane and natural gas monitoring system services, the Districts shall not be authorized to operate and maintain any public improvements unless the provision of such operation and maintenance is pursuant to the City IGA (defined herein). See “Certain District Agreements – *City IGA*” hereafter in this section.

**Location.** The District is located in the City approximately 0.5 miles east of Interstate 25, the major north-south thoroughfare that runs through the State. County Road 11 (also known as York Street) runs along the western boundary of the District and County Road 8 (also known as Summit Boulevard) runs along the District’s southern boundary. The District is located approximately 25 miles north of downtown Denver and approximately 30 miles northwest of Denver International Airport. The District is also located within 30 miles of Loveland and Boulder, both of which are major employment and population centers in the northern part of the State. The District currently encompasses a total of approximately 413 acres, however, prior to the issuance of the Bonds, a portion of the property in the District (consisting of approximately 277 acres) will be

excluded therefrom and included into District No. 1 (referred to herein as the “Excluded Property”). The Excluded Property is not subject to the pay debt service on the Bonds. See “THE DISTRICT – Powers – Boundary Changes” as well as “DISTRICT BOUNDARIES” and “AERIAL VIEW OF THE DISTRICT” at the beginning of this Official Statement.

**Assessed Valuation.** The 2021 assessed valuation of taxable property in the District, as certified by the Weld County Assessor (the “County Assessor”) for collection of ad valorem property taxes in 2022, is \$11,727,250. However, such figure includes the Excluded Property, which will not be subject to pay debt service on the Bonds. The Financial Forecast included as Appendix B hereto projects that the assessed value of the property remaining within the District after the exclusion of the Excluded Property will be approximately \$11,411,570. See “APPENDIX B – FINANCIAL FORECAST” and “FINANCIAL FORECAST.” See also “DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – District Property Tax Data.”

**Location Within Dacono Urban Renewal Authority.** A de minimum amount of property within the District is located within the Dacono I Urban Renewal Plan (the “Urban Renewal Plan”) which has been established by the City through the Urban Renewal Authority of Dacono (the “Authority”). The Urban Renewal Plan generally provides that Authority may utilize tax increment financing as contemplated by the Colorado Urban Renewal Law. The Urban Renewal Plan states that, generally, taxes, if any, levied after its effective date upon the property within Urban Renewal Plan shall be divided for a period not to exceed 25 years from the effective date of the Urban Renewal Plan and that a portion of both property tax and sales tax revenues shall be allocated to and paid into a special fund of the Authority, to pay the principal of, interest on, and any premiums due in connection with any bonds, loans, or indebtedness incurred by the Authority. Accordingly, until the expiration of the Urban Renewal Plan, a portion of the property tax revenues collected as a result of the District’s mill levies upon the incremental value of property within the District are payable to the Authority. Of the District’s 2021 net total taxable assessed valuation of \$11,727,171, \$79 is attributable to the Authority. See “DISTRICT FINANCIAL INFORMATION – Property Tax Statistics – Assessed Valuation and Statutory “Actual” Value of Taxable Property in the District.”

## **Existing and Planned Development**

The Districts generally encompasses the “Sweetgrass” master-planned residential and commercial development (“Sweetgrass” or the “Development”). According to the Developer, at full buildout, the Development is anticipated to include approximately 1,800 residential units and approximately 50 acres of commercial and/or industrial development. The Developer has stated that the Development also includes or, in the case of amenities which have not yet been completed, is expected to include various amenities, including greenbelts, trails, neighborhood parks, passive open space and landscaped areas as well as a community swimming pool accessible to residents of Sweetgrass.

According to the Developer, after the exclusion of the Excluded Property, the portion of the Development within the District will consist only of 365 single-family detached lots, of which (as of May 20, 2022) 359 lots have been developed with homes and are occupied by homeowners. The Developer has stated that the remaining six lots are owned by K.B. Home, Inc., a Colorado corporation and homebuilder, which, according to the Developer, intends to construct, market and sell homes on such lots. The Developer anticipates that four of the remaining six lots will be completed and sold to homeowners on or before December 31, 2022 and that the final two lots will be completed and sold to homeowners on or before December 31, 2023. ***Only the portion of the Development that will remain within the District after the exclusion of the Excluded Property, which at full buildout is, according to the Developer, planned to consist of 365 single-family detached homes, will be subject to the Senior Required Mill Levy and the Subordinate Required Mill Levy, and no other portion of the Development (including the Excluded Property) will be subject to such taxes.***



The Developer has represented that the Development was developed by Dacono Properties, LLC, a Colorado limited liability company and a special purpose entity dedicated to Sweetgrass (the “Developer”). The Developer has additionally represented that the Developer is an affiliated entity of Community Development Group (“CDG”), which serves as the umbrella “brand” for multiple real estate projects and over eighty development and investment entities, including the construction and development management company, Bellock Construction Company, Inc., which was established in 1976. According to the Developer, all public improvements planned for the portion of the District that will remain therein after the exclusion of the Excluded Property, including roads, trunk lines for water and sewer, storm drains (including detention ponds), storm water outfalls, parks, raw water irrigation pond/pump stations, and common area landscaping and irrigation systems have been completed.

## **Governing Board**

The District is governed by a Board of Directors (the “Board”) consisting of five members (“Directors”) who are required by State law to be eligible electors of the District. Directors are elected to staggered four-year terms of office at successive biennial elections held in May of even numbered years. However, pursuant to State law, all special districts are required to move their biennial elections from even years to odd years beginning in 2023. Accordingly, the terms commencing in 2020 and 2022 will be three-year terms and then will reset to four-year terms commencing in 2023 and 2025, respectively. Vacancies occurring on the Board are to be filled by appointment of the remaining Directors, the appointee to serve until the next regular election, at which time the vacancy is to be filled by election for any remaining unexpired portion of the term. With certain exceptions, no nonjudicial elected official of any political subdivision of the State may serve more than two consecutive terms in office; however, such term limitation may be lengthened, shortened or eliminated with voter approval. At the organizational election of the District, the electors authorized the members of the Board to serve without term limits.

The Board holds regular meetings, as well as special meetings as and when needed. Directors are entitled to one vote on all questions before the Board when a quorum is present. Directors may receive a maximum of \$1,600 per year (increasing to \$2,400 per year for Directors serving a term of office commencing on or after January 1, 2018) as compensation for service to the District, payable not in excess of \$100 per meeting attended, including study sessions at which a quorum of the Board is in attendance and notice of the meetings has been given in accordance with the Special District Act or Section 24-6-402(2)(c), C.R.S., and at which information is presented but no official action can be taken by the Board. The members of the Board currently serve without compensation. State law prohibits members of a Board from receiving any other form of compensation from the District as employees thereof.

The present members of the Board are set forth in the following table.

<b>District Board of Directors</b>			
<b><u>Director</u></b>	<b><u>Office</u></b>	<b><u>Principal Occupation</u></b>	<b><u>Current Term Expires (May)</u></b>
Jon Lee	Chairman and President	Developer	2025
Jessica Brothers	Vice President/Assistant Secretary	Developer	2025
Steve Rane	Secretary/Treasurer	Developer	2023
Vacant	N/A	N/A	N/A
Vacant	N/A	N/A	N/A

All of the current Directors are principals or employees of, or are otherwise affiliated with, the Developer and/or CDG. Consequently, such Directors may from time to time have actual or potential conflicts of interest with respect to matters that come before the Board. State law permits the Directors to disclose to the Colorado Secretary of State and the Board potential conflicts of interest or personal or private interests which are proposed or pending before the Board. Additionally, no contract for work or material,



including a contract for services, regardless of the amount, may be entered into between the District and a Director, or between the District and the owner of 25% or more of the territory within the District, unless a notice is published for bids and such Board member or owner submits the lowest responsible and responsive bid.

## **Administration**

The Board is responsible for the overall management and administration of the affairs of the District. The District has no employees, but has engaged various professionals for the provision of specialized services, including White Bear Ankele Tanaka & Waldron, P.C., Centennial, Colorado, which serves as the District's general counsel. CliftonLarsonAllen LLP, Certified Public Accountants, Greenwood Village, Colorado, currently serves as the District's independent auditors. See "DISTRICT FINANCIAL INFORMATION – Financial Statements" and "APPENDIX A – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020."

## **Powers**

**General Powers.** The rights, powers, privileges, authority, functions and duties of the District are established by the constitution and laws of the State, specifically the Special District Act. The Special District Act sets forth the powers available to the District, which include, among others, the following: to enter into contracts and agreements; to sue and be sued; to incur indebtedness with an election and to issue bonds; to issue revenue bonds without an election; to fix, and from time to time, increase or decrease fees, rates or charges for services or facilities furnished by or available from the District and to pledge such revenues for the payment of any indebtedness of the District; to levy and collect general ad valorem property taxes; to acquire, dispose of and encumber real and personal property, including leases and easements; to have the management, control and supervision of all the business affairs of the District and over the construction, installation, operation and maintenance of the District's improvements therein; and to exercise the power of eminent domain for certain purposes.

**Boundary Changes.** The Service Plan provides that a District shall not include any properties into its boundaries or exclude any property from its boundaries without the prior consent of the City. None of the Districts shall impose a mill levy and then exclude the property from its boundaries unless the property is being included in one of the other Districts. Internal boundary adjustments between the Districts are anticipated with certain areas being excluded from District Nos. 2 and 3 and included into District No. 1. No additional City consent is needed for this specific boundary adjustment. It is anticipated that the Districts' boundaries may further change from time to time as they undergo inclusions and exclusions pursuant to Section 32-1-401, et seq., C.R.S., and Section 32-1-501, et seq., C.R.S., subject to the limitations set forth in the Service Plan. The Special District Act provides that property excluded from the District shall be obligated to the same extent as other property in the District for the proportion of outstanding indebtedness existing immediately prior to the effective date of the exclusion order. All changes in the boundaries of the Sweetgrass Districts must be made in compliance with the Special District Act. There have been various inclusions and exclusions of property since the organization of the District, though the District does not anticipate including or excluding any additional property therefrom prior to the issuance of the Bonds, except that, prior to the issuance of the Bonds, the Excluded Property will be excluded therefrom and included into District No. 1 pursuant to an order entered by the District Court (the "Exclusion Order"). The Exclusion Order states that the Excluded Property "shall not become obligated for any property tax levied by the District for operating costs of the District nor for any bonded indebtedness issued by the District after the date of this order." This portion of the Exclusion Order is based on the District's assertion that the refunding of the Refunded Obligations will occur in conjunction with and simultaneously with the exclusion. Notwithstanding the terms of the Exclusion Order, it is possible that a court could conclude that the Excluded Property remains subject to taxation for its proportionate share of the Refunded Obligations. If so, the District's tax base would consist of the property currently within the District plus the Excluded Property.

The Service Plan additionally provides that, upon an independent determination of the City Council that the purposes for which a District was created have been accomplished, the District agrees to file petitions in the appropriate District Court for dissolution, pursuant to the applicable State statutes. 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. Additionally, in no event shall dissolution occur for any District providing methane/natural gas monitoring system services until both the City and the St. Vrain Sanitation District consent to such dissolution.

***Public Improvements.*** The Service Plan provides that the Districts shall have authority to provide for the planning, design, acquisition, construction, installation, relocation, redevelopment, maintenance, and financing of the public improvements. The Service Plan provides that the Districts shall have the power and authority to provide the public improvements and related operation and maintenance services as such power and authority is described in the Special District Act and other applicable statutes, common law, and the Constitution, subject to the limitations set forth herein, in the development approvals, and in the intergovernmental agreement. The Districts shall dedicate the public improvements to the City or other appropriate jurisdiction or owners association in a manner consistent with the development approvals, the intergovernmental agreement, other rules and regulations of the City, and applicable provisions of the City code.

***Operations and Maintenance.*** The Service Plan provides that the District, except for park and recreation improvements and the methane/natural gas monitoring system services, the Districts shall not be authorized to operate and maintain any part or all of the public improvements unless the provision of such operation and maintenance is pursuant to the intergovernmental agreement with the City.

***Covenant Enforcement.*** The Special District Act provides that a special district may provide such services if the special district and the governing body of a master association or similar body contract for such services, or if the declaration, rules and regulations or any similar document containing the covenants to be enforced for the area within the special district name such special district as the enforcement or design review entity. The special district may provide covenant enforcement and design review services only if revenues used to provide such services are derived from the area in which the service is furnished. The Service Plan provides that the Districts shall have the power to provide ongoing covenant enforcement and design review services in accordance with the Special District Act as part of its ongoing operation and maintenance activities. The Districts currently do not provide covenant enforcement and architectural review services. See “Certain District Agreements – *Coordinating Agreement*” hereafter in this section.”

***Other.*** The Service Plan was intended to be designed with sufficient flexibility to enable the Districts to provide required services and facilities under evolving circumstances without the need for numerous amendments. Actions of the Districts which violate certain limitations set forth in the Service Plan may be deemed to be material modifications to the Service Plan and the City will be entitled to all remedies available under State and local law to enjoin such actions. The Districts may issue notices to the City of potential actions that might be considered material modifications as permitted in Section 32-1-207(3)(b), C.R.S., and any such actions that are made the subject of such notices will not be considered material modifications unless the City objects as provided in the statute. See also “Organization and General Description” above in this Section.

### **Certain District Agreements**

The District has entered into agreements in furtherance of its purposes and which are described generally below. These descriptions are only a brief summary of selected provisions of the agreements and are not intended to be an exhaustive discussion of all terms and provisions thereof. The following summaries are qualified in their entirety by reference to the actual agreements, copies of which may be obtained from the sources specified in “INTRODUCTION – Additional Information.”

***Coordinating Agreement.*** On June 29, 2020, the Districts entered into the District Coordinating Services Agreement (the “Coordinating Agreement”). Pursuant to the Coordinating Agreement, the Districts have evaluated their respective roles, responsibilities and obligations with respect to the provision of administrative services, and the ownership, operation and maintenance of certain public improvements, and desire to enter into the Coordinating Agreement for the purpose of establishing the respective obligations of the Districts with respect to the coordination, oversight, and funding of certain administrative costs of the Districts and costs related to the continued operation and maintenance of certain of the public improvements within the Districts, which serve, and are for the benefit of, the Districts and the residents and taxpayers thereof.

Pursuant to the Coordinating Agreement, District No. 1 agrees to perform certain administrative services for and on behalf of the District Nos. 2-3, in compliance with all applicable federal, state, county and local or municipal body or agency statutes, ordinances and regulations, provided that District Nos. 2-3 observe and perform the covenants and agreements set forth in the Coordinating Agreement. District No. 1 may suspend or curtail administrative services in its discretion as necessary or appropriate to address funding shortfalls that have occurred or are anticipated. District No. 1 shall have the authority to enter into service contracts with third-parties to provide any administrative services required to be provided by District No. 1. District No. 1 will also own, operate and maintain all public improvements within the boundaries of the Districts that are not otherwise dedicated or conveyed to the City, the County or other public entity or owners’ association, in accordance with the Service Plan and any approved development plans for the Development. District No. 1 further agrees to provide certain operation and maintenance services for the benefit of the Districts, provided that each of District Nos. 2-3 observe and perform the covenants and agreements set forth in the Coordinating Agreement.

District Nos. 2-3 shall be responsible for any and all costs, fees, charges and expenses incurred by District No. 1 in providing the administrative services and operations and maintenance services. Such costs may include but are not limited to, all fees of consultants (including managers, accountants, engineers, attorneys, auditors, and other consultants), utility charges, and service provider fees and charges. It is the desire and intent of the Districts that, to the extent possible, the costs for the services be paid by the imposition by each of District Nos. 2-3 of an ad valorem mill levy against the taxable property lying within its boundaries. Nevertheless, nothing in the Coordinating Agreement shall be construed as a limitation on the powers granted to District Nos. 2-3 by Colorado law to use alternative sources of revenue to pay District No. 1 for such costs.

***Developer Reimbursement Agreement.*** The District has entered into a Funding and Reimbursement Agreement (Capital) with Dacono Development Company, Inc., an affiliate of the Developer, dated as of October 25, 2018 (the “Developer Reimbursement Agreement”). The Developer Reimbursement Agreement generally acknowledges that the District has incurred costs for the provision of public improvements, and the Developer Reimbursement Agreement provides that, generally, Dacono Development Company, Inc. agrees to advance such costs to the District, which will in turn reimburse Dacono Development Company, Inc. for such advances through the issuance of reimbursement obligations. The District’s accountant has confirmed that there are no outstanding amounts owed under the Developer Reimbursement Agreement, since the District’s public improvements costs have thus far been funded with proceeds of the Refunding Obligations. See generally, “PLAN OF FINANCING.”

***City IGA.*** The Districts are party to a Second Amended and Restated Intergovernmental Agreement with the City (the “City IGA”), which generally restates the provisions of the Service Plan and provides that the Districts and the City acknowledge that the Districts were organized for the purpose of providing public improvements and services for the benefit of the Districts, as the same are generally contemplated in the Service Plan.

## **Risk Management; Sovereign Immunity**

The District may be exposed to various risks of loss related to torts, thefts of, damage to or destruction of assets; errors or omissions; injuries to employees; or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (the “Pool”), an organization created by an

intergovernmental agreement to provide property, liability, public official liability, boiler and machinery and workers compensation coverage to its members. The District pays annual premiums to the Pool for various insurance coverages applicable to the operations of the District. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. See also “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE – General Covenants” and “APPENDIX E – SELECTED PROVISIONS OF THE SUBORDINATE INDENTURE – General Covenants.”

The District does not have unlimited sovereign immunity, although by statute it does enjoy immunity from suit for injuries resulting from all except for a specified list of causes. The Governmental Immunity Act of 1972, Title 24, Article 10, Part 1, C.R.S. (the “Governmental Immunity Act”), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the District, for injuries which lie in tort or could lie in tort.

The Government Immunity Act provides that sovereign immunity does not apply to injuries occurring as a result of certain specified actions or conditions. 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 Government Immunity Act for injuries occurring on or after January 1, 2022 and before January 1, 2026, whether from one or more public entities and public employees, are \$424,000 for any injury to one person in any single occurrence and \$1,195,000 for an injury to two or more persons in any single occurrence, except in such instance no person may recover in excess of \$424,000. Suits against both the District and a public employee do not increase such maximum amounts which may be recovered. Lower maximum amounts are recoverable for injuries accruing prior to January 1, 2018, and the maximum recoverable amounts will increase every four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index. The District may, by resolution, increase any maximum amount that may be recovered from the District for the type of injury described in the resolution. The District has never adopted such a resolution. The District may not be held liable either directly or by indemnification for punitive or exemplary damages. In the event the District is required to levy an ad valorem property tax to discharge a settlement or judgment, such tax may not exceed a total of ten mills per annum for all outstanding settlements or judgments.

The District may be subject to civil liability and may not be able to claim sovereign immunity for actions founded upon various federal laws. Examples of such civil liability include, but are not limited to, suits filed pursuant to 42 U.S.C. Section 1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the District may be enjoined from engaging in anti-competitive practices which violate the antitrust laws. However, the Governmental Immunity Act provides that it applies to any action brought against a public entity or a public employee in any Colorado state court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

## DISTRICT FINANCIAL INFORMATION

### Accounting Policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. By State law, the fiscal year of the District (the “Fiscal Year”) is the calendar year.

The accounts of the District are organized on the basis of self-balancing funds, each of which is considered a separate accounting entity. The funds either currently utilized or planned to be utilized by the District include a general fund, a capital projects fund and/or a debt service fund. The general fund is the District’s primary operating fund and is used to account for all financial resources of the District except those required to be accounted for in another fund. The capital projects fund is used to account for the acquisition and construction of capital assets, and the debt service fund is used to account for the District’s debt activities.

### Financial Statements

State law requires that an annual audit be made of the District’s financial statements at the end of each Fiscal Year. The audited financial statements must be filed with the Board within six months after the end of the Fiscal Year and with the State auditor 30 days thereafter. Failure to comply with the audit requirement may result in the withholding of the District’s property tax revenue by the Weld County Treasurer (the “County Treasurer”) pending compliance. Exemptions from the audit requirement are provided for local governments with *de minimis* revenues and expenditures. The District has covenanted in the Indentures to have its annual financial statements audited each year notwithstanding any State law audit exemptions that may exist. See “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE – General Covenants,” “APPENDIX E – SELECTED PROVISIONS OF THE SUBORDINATE INDENTURE – General Covenants,” and “APPENDIX G – FORM OF CONTINUING DISCLOSURE AGREEMENT” regarding the covenants and continuing disclosure obligations of the District with respect to future annual financial statements, as well as “Historical Operating Results of the District” hereafter in this section. The audited financial statements for the District for the year ended December 31, 2020, are attached hereto as “APPENDIX A” and constitute the most recent available audited financial statements of the District.

### Revenue and Spending Limitations

**TABOR.** Article X, Section 20 to the State constitution, referred to therein as the Taxpayer’s Bill of Rights and commonly referred to as “TABOR,” applies to the State and any local governments, including the District (but excluding government-owned enterprises as defined in TABOR discussed below), and among other things contains restrictions regarding taxes, spending, revenue increases and borrowing. The applicable limitations established pursuant to TABOR may be exceeded with prior voter approval. At the District’s organizational election, the voters of the District exempted all revenue sources of the District from the limitations of TABOR, often referred to as “de-Brucing.”

With certain exceptions, TABOR requires that the District obtain voter approval prior to the imposition of any new tax, tax rate increase, mill levy above that for the prior year, assessed valuation ratio increase, extension of an expiring tax or a tax policy change directly causing a net revenue gain to the District. Exceptions to this requirement include tax increases required to meet debt service requirements on general obligation debt outstanding at the time TABOR was adopted or general obligation debt subsequently issued to refinance such outstanding bonds. Exceptions are also provided for tax increases imposed when annual district revenue is less than annual payments on general obligation bonds, pensions and final court judgments, and emergency taxes. At the District’s organizational election, the eligible electors of the District who voted at such election authorized District taxes to be increased \$2,000,000 annually (or such higher amount as is necessary to result in net revenue of up to \$2,000,000 annually), or



by such lesser annual amount as may be necessary to pay the District's operations, maintenance, and other expenses. The foregoing election question further authorized the proceeds of the taxes and investment income thereon authorized to be collected and spent by the District as a voter-approved revenue change without regard to any limitations under TABOR, Section 29-1-301, C.R.S. (discussed in "*Property Tax Revenue Limitations*" hereafter in this section), or any other law which purports to limit the District's revenues or expenditures, as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected and spent by the District.

Prior voter approval also is required for the creation of any multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years, except for refinancing at a lower interest rate or adding new employees to existing pension plans. See also "DISTRICT DEBT STRUCTURE – Authorization."

Unless otherwise approved by the voters, TABOR also limits the annual percentage increases in both property tax revenue and local government "fiscal year spending," with certain adjustments, to inflation (defined as the Denver-Boulder consumer price index) in the prior calendar year plus "local growth." Local growth is defined as the net percentage change in actual value of all real property in the District from construction of improvements and additions to taxable real property less destruction of improvements and deletions to taxable real property. Fiscal year spending includes all District expenditures and reserve increases and excludes reserve transfers or expenditures, refunds made in the current or next fiscal year, gifts, federal funds, collections for another government, pension contributions by employees and pension fund earnings, damage awards and property sales.

Any revenue collected in excess of the limit on spending and property tax revenue is to be refunded during the next fiscal year. The District may use any reasonable method for refunds and refunds need not be proportional when prior payments are impracticable to identify or return. Debt service changes, reductions, refunds and voter-approved revenue changes are dollar amounts that are exceptions to, and not part of, the District base.

TABOR requires the District to establish emergency reserves that must equal at least 3% of fiscal year spending (as defined in TABOR) excluding bonded debt service; however, the District may not use its emergency reserves to compensate for economic conditions, revenue shortfalls or salary or fringe benefit increases.

"Enterprises," defined in TABOR as government-owned businesses authorized to issue their own revenue bonds and receiving less than 10% of their annual revenues in grants from all State and local governments combined, are exempt from the restrictions and limitations of TABOR. The District has not created any enterprises.

Many of the provisions of TABOR are ambiguous and have and will continue to require judicial interpretation. There have been numerous lawsuits regarding TABOR. Other litigation regarding TABOR may be filed in the future, and questions may be raised in such litigation affecting the operations and financial condition of governmental entities such as the District.

***Property Tax Revenue Limitations.*** Subject in all cases to compliance with TABOR, Title 29, Article 1, Part 3, C.R.S., provides, subject to certain exceptions, that the District may not impose a property tax levy or levies that will generate revenue that exceeds the amount received in the preceding year plus 5.5% plus the amount of revenue abated or refunded by the District by August 1 of the current year less the amount of revenue received by the District by August 1 of the current year as taxes paid on any taxable property that had previously been omitted from the assessment roll of any year. The District is permitted to request authority from its electorate to impose a levy in excess of the 5.5% limit, subject to compliance with TABOR. The District submitted such a question to and received approval thereof from its electorate as discussed in "*TABOR*" above. The Colorado Attorney General, in AGO 99-5, dated July 30, 2000, has opined that, assuming no provision of TABOR is otherwise violated, the District's electorate may authorize

the District to exceed the 5.5% limit for any of its needs, with no restriction as to purpose, and for the period of time specified in the ballot question.

**Other.** The District may not levy any property tax for purposes that are exempt from the 5.5% limit in an amount that is greater than the amount of revenues required to be raised for such purposes during any year as specified by the provisions of any contract entered into by the District or any schedule of payments established for the payment of any obligation incurred by the District. Where bonds, contractual obligations or capital expenditures have been approved but actual revenues required for such purposes are not known at the time the levy is set, the District may base its levy on the estimated revenues that are so required for one year only and in subsequent years the levy is to be based on the actual revenues that are so required.

## **Sources of Revenue**

The primary source of revenue to the District is and is expected to continue to be the general ad valorem property tax levied on and against all of the taxable property within the District. The District also receive a proportionate share of specific ownership taxes imposed by the State in connection with the registration of certain motor vehicles, collected by the County Treasurer and allocated among taxing entities in the County based on the amount of taxes levied, as well as interest earnings on investments. Each of these revenue sources is described in more detail hereafter.

### **Ad Valorem Property Taxes**

**General.** The primary source of revenue to pay the Series 2022A Senior Bonds is expected to be derived from an ad valorem mill levy imposed by the District on taxable property of the District to the extent of the Senior Required Mill Levy as discussed in “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *Senior Pledged Revenue – Senior Property Tax Revenues*,” and the primary source of revenue to pay the Series 2022B Subordinate Bonds is expected to be the Subordinate Property Tax Revenues to be derived from a mill levy imposed by the District on taxable property of the District to the extent of the Subordinate Required Mill Levy as discussed in “THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment – *Subordinate Pledged Revenue – Subordinate Property Tax Revenues*.” The following is a discussion of the ad valorem property taxation procedure in the State and selected statistics regarding property taxes of the District.

The Service Plan provides that, for the District, the maximum ad valorem mill levy that the District is permitted to impose upon the taxable property therein for payment of debt and operation and maintenance costs (referred to therein as the “Limited Mill Levy”) is 48 mills commencing with the District’s December 2021 mill levy certification and continuing through the District’s December 2024 mill levy certification (which figure has been adjusted between 2001 and 2021 to 53.663 mills). The Service Plan states that the Limited Mill Levy shall be reduced to 46 mills commencing with District’s December 2025 mill levy certification, and continuing each year thereafter (which figure has been adjusted between 2001 and 2021 to 51.663 mills); provided, however, that if, on or after January 1 2001, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, the Limited Mill Levy may be increased or decreased to reflect such changes, such increases and 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 Limited Mill Levy, as so adjusted, are neither diminished nor enhanced as a result of such changes. The Service Plan further provides that once the District no longer has any subordinate Debt outstanding, the Limited Mill Levy shall be further reduced to an amount that is sufficient to pay regularly scheduled annual principal and interest payments for the ensuing year due on the outstanding senior Debt and to pay its annual operation, maintenance and administrative costs. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

***Property Subject to Taxation.*** Subject to the limitations discussed in “Revenue and Spending Limitations – TABOR” above in this section, the Board has the power to certify to Weld County 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 taxable property of the District. Both real and personal property located within the District are subject to taxation, although there are certain classes of property which are exempt, including, without limitation, property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; charitable property; religious property; 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; and inventories of merchandise and materials and supplies which are held for consumption by a business or are held primarily for sale; livestock; agricultural and livestock products; and works of art, literary materials and artifacts on loan to a political subdivision, gallery or museum operated by a charitable organization. The State Board of Equalization supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes.

***Statutory “Actual” Value.*** For most types of taxable property, the County Assessor annually conducts appraisals in order to determine, on the basis of statutorily specified approaches, the statutory “actual” value of all taxable property within the County as of January 1<sup>st</sup>. The statutory actual value of a property is not intended to represent current market value, but, with the exceptions described below, 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). This period advances two years with the start of each reassessment cycle. For the 2016 and 2017 tax levy years (2017 and 2018 tax collection years), the level of value for the determination of statutory “actual” value was as of July 1, 2015, based on the period of January 1, 2014, to June 30, 2015; for the 2018 and 2019 tax levy years (2019 and 2020 tax collection years), the level of value for the determination of statutory “actual” value was as of July 1, 2017, based on the period of January 1, 2016, to June 30, 2017; and for the 2020 and 2021 tax levy years (2021 and 2022 tax collection years), the level of value for the determination of statutory “actual” value is as of July 1, 2019, based on the period of January 1, 2018, to June 30, 2019.

Exceptions to the foregoing include oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals, which are valued annually by the County Assessor based on prior year’s production levels; oil and gas equipment, which is valued as personal property in the manner provided by State law; and public utilities as defined by statute, which are valued annually by the State Property Tax Administrator in the manner provided by State law utilizing unitary valuation procedures, which value is then apportioned to the appropriate counties based on the location of public utility’s operating property or business activity and in turn allocated by the applicable county assessors to the appropriate tax areas throughout their respective county.

***Determination of Assessed Value.*** Assessed valuation, which represents the value upon which ad valorem property taxes are levied, is calculated by the County Assessor as a percentage of the “actual” value of such taxable property as determined above. All taxable property in the State, other than residential real property, producing mines and lands or leaseholds producing oil or gas, is required to be assessed as 29% of the actual value thereof.

Residential real property currently is assessed as 7.15% of statutory “actual” value. However, to avoid extraordinary increases in residential real property taxes when the base year level of value is changed, the State constitution requires the State legislature to adjust the ratio of valuation for assessment of residential

property for each year in which a change in the base year level of value occurs based on an estimated target percentage. This adjustment is mandated in order to maintain the same percentage of the aggregate statewide valuation for assessment attributable to residential property which existed in the previous year. The State constitution also prohibits any valuation for assessment ratio increase for a property class without prior voter approval. See “Revenue and Spending Limitations – *TABOR*” above in this section. The ratio of valuation for assessment of residential property was 9.15% of statutory “actual” value for the 2001-2002 assessment years. Such ratio was reduced to 7.96% for the 2003-2016 levy years, to 7.20% for assessment years commencing in 2017 and to 7.15% for assessment years commencing in 2019. See also “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *Senior Pledged Revenue – Senior Property Tax Revenues*” and “THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment – *Subordinate Pledged Revenue – Subordinate Property Tax Revenues*”.

Oil and gas leaseholds and lands are assessed at 87.5% of the prior year’s production value of the oil or gas produced as determined by statute (75% in the case of properties that employ secondary recovery, tertiary recovery or recycling projects), and producing mines are generally assessed at 25% of the gross proceeds from the production of ore or the amount of such net proceeds if the net proceeds of such production exceed 25% of the gross proceeds.

At the November 3, 2020, general election, the State’s voters repealed the provisions of the State constitution (commonly known as the “Gallagher Amendment”) that had (i) provided a mechanism for the mandatory periodic adjustment of the ratio of valuation for assessment of residential real property, and (ii) froze the ratio of valuation for assessment of all other property at 29% of statutory “actual” value, the result being that any future changes to the ratio of valuation for assessment for any class of property are to be made in the discretion of the State legislature. As part of such repeal, the State’s voters also approved the enactment of Section 39-1-103.8, C.R.S., which provides that beginning with the property tax year that commences January 1, 2020, there is a moratorium on changing the ratio of valuation for assessment for any class of property. This moratorium could be repealed by the State legislature at any time. However, any future increase in the ratio of valuation for assessment for any class of property would require prior statewide voter approval as discussed in “Revenue and Spending Limitations – *TABOR*” above in this section. See “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *Senior Pledged Revenue*.”

Senate Bill 21-293 (“SB 21-293”), which was signed by the Governor on June 23, 2021, among other things, designates multi-family residential real property (defined in SB 21-293, generally, as property that is a duplex, triplex or multi-structure of four or more units) as a new subclass of residential real property and temporarily reduces the residential assessment rates. Pursuant to SB 21-293, the assessment rate for multi-family residential property will be temporarily reduced from 7.15% to 6.8% for levy years 2022 and 2023, and then return to 7.15% in levy year 2024. Furthermore, pursuant to SB 21-293, the assessment rate for all residential real property, other than multi-family residential real property, will be temporarily reduced from 7.15% to 6.95% for levy years 2022 and 2023, and then return to 7.15% in levy year 2024.

On May 6, 2022, the State General Assembly passed Senate Bill 22-238 (“SB 22-238”), which was signed by the Governor on May 16, 2022. SB 22-238: (i) further reduces the assessment rate for residential real property to 6.765% in levy year 2023, and reduces the calculation of the actual value of such property (as described above in “Statutory Actual Value” in this section) by the lesser of: (a) \$15,000 or (b) the amount that reduces the actual value for assessment to \$1,000; (ii) reduces the assessment rate for multi-family residential property from 7.15% to 6.80% in levy year 2024; and (iii) adjusts the ratio of valuation for assessment for all residential real property other than multi-family residential real property for levy year 2024, so that the aggregate decrease in local government property tax revenue during the 2023 and 2024 property tax collection years, as a result of SB 22-238, equals \$700,000,000. In addition, pursuant to SB 22-238, the State Treasurer is required to reimburse counties (including the County) for all or some portion of the reduction in property tax revenue resulting from SB 22-238, as further set forth therein, during the 2023 property tax collection year. For local governments within the County such as the District, this



reimbursement is expected to be limited to 65%. County treasurers must then distribute these reimbursements to certain local governmental entities. Under SB 22-238, the assessment rate on all residential property will indefinitely return to 7.15% in levy year 2025; however, the State General Assembly may enact further legislation which further reduces the assessment rate, or the method of determining actual value, or otherwise impacts the State's property tax system. The impacts of such future legislation on the District cannot be determined at this time.

***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 certain 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 Board of Assessment Appeals. 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 25<sup>th</sup> each year, prepare an abstract of assessment from such data. The abstract of assessment and certain other required information is reviewed by the State Property Tax Administrator prior to October 15<sup>th</sup> 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 Board of Assessment Appeals, the State courts or by arbitrators appointed by the applicable Board of County Commissioners. On the report of an erroneous assessment, an abatement or refund must be authorized by the Board of 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 State legislature 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 legislature and the State Board of Equalization by September 15<sup>th</sup> of the year in which the study is conducted. Subsequently, the State Board of Equalization may order a county to conduct reappraisals and revaluations during the following property tax levy year. The District's assessed valuation may be subject to modification following any such annual assessment study.

***Homestead Exemption.*** The State constitution provides property tax exemptions for qualifying senior citizens (adopted in 2000) and for disabled veterans (adopted in 2006). The senior citizen provision provides that for property tax collection years 2007 and thereafter (except the exemption was suspended for collection years 2009-12), the exemption is equal to 50% of the first \$200,000 of actual value of residential real property that is owner-occupied if the owner or his or her spouse is 65 years of age or older and has occupied such residence for at least ten years. The exemption for disabled veterans provides that for property tax collection years 2008 and thereafter, the same exemption is available to homeowners who have served on active duty in the U.S. Armed Forces and who are rated 100% permanently disabled by the federal government due to a service-connected disability. The State is required to reimburse all local governments for the reduction in property tax revenue resulting from these exemptions. Therefore, it is not expected that this exemption will result in the loss of any property tax revenue to the District. There is no assurance, however, that the State reimbursement will be received in a time period which is sufficient to replace the reduced property tax revenue.

***Taxation Procedure.*** The County Assessor is required to certify to the District the assessed valuation of property within the District no later than August 25<sup>th</sup> of each year, and which value is subject to adjustment until December 10<sup>th</sup> of such year. Subject to the limitations of the State constitution, 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 taxable property within the District, and together with other legally available District revenues, will raise the amount required by the District in its ensuing fiscal



year. The District subsequently certifies to the County the rate of levy sufficient to produce the needed funds. Such certification must be made no later than December 15<sup>th</sup> of the property tax levy year for collection of taxes in the ensuing year.

The County levies the tax on all taxable property within the District. By December 22<sup>nd</sup> of each year, the Board of County Commissioners is required to certify to the County Assessor the levy for all taxing entities within the County. If such certification is not made, 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 Treasurer.

***Property Tax Receipts.*** Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2021 are payable and are being collected in 2022. Taxes are due on January 1<sup>st</sup> 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 the 15<sup>th</sup> day of June) without interest or penalty. Interest accrues on unpaid first installments at the rate of 1% per month from March 1<sup>st</sup> until the date of payment unless the whole amount is paid by April 30<sup>th</sup>. If the second installment is not paid by June 15<sup>th</sup>, the unpaid installment will bear interest at the rate of 1% per month from June 16<sup>th</sup> 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.

Generally, 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 1<sup>st</sup> of the property tax levy year until paid. However, taxes due on oil and gas leaseholds and lands constitute a debt due from the owner or the unit operator, as the case may be, and are recoverable by the County Treasurer either by direct action in debt or as if the property were personal property.

Property tax liens are on 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. 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. Delinquent personal property taxes are enforceable by distraint, seizure and sale of the taxpayer's personal property. Sales of personal property may be held at any time after October 1<sup>st</sup> of the collection year following notice of delinquency and public notice of sale.

Tax liens may not necessarily be bid on and sold, and the proceeds of tax liens sold may not necessarily be sufficient to produce the amount required with respect to property taxes levied by the District and property taxes levied by overlapping taxing authorities, as well as any interest or costs due thereon. If a tax lien is 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 uncollectible after a period of six years from the date of becoming delinquent and they may be canceled by the County after that time.

## **Property Tax Statistics**

***Assessed Valuation and Statutory "Actual" Value.*** The following tables set forth the total assessed valuation and statutory "actual" value of taxable property in the District, since the District was organized, determined as discussed in "Ad Valorem Property Taxes – Statutory "Actual" Value – Determination of Assessed Value" above. See also "Projection of Future Assessed Valuation" hereafter.

**Assessed Valuation and Statutory “Actual” Value  
of Taxable Property in the District**

<b>Assessment Year/ Collection Year</b>	<b>Assessed Valuation<sup>1</sup></b>	<b>Statutory “Actual” Valuation</b>	<b>Change in Statutory Actual Valuation (%)</b>
2016/2017	\$9,049,990	\$105,699,082	--
2018/2019	9,441,360	124,547,932	18%
2019/2020	10,636,740	142,230,401	14%
2020/2021	11,288,490	149,527,985	5%
2021/2022	11,727,250 <sup>2</sup>	154,776,955	4%

<sup>1</sup> These values include the Excluded Property, which is not subject to taxation to pay the Bonds. See “THE DISTRICT – Organization and General Description – *Location Within Dacono Urban Renewal Authority*.” According to the Financial Forecast included as Appendix B hereto, the 2021/2022 assessed value of the excluded property is \$353,090. See “FINANCIAL FORECAST.”

<sup>2</sup> The District’s net total taxable assessed valuation for 2021 is \$11,727,171 which is the gross taxable assessed valuation of \$11,727,250 less a tax increment value of \$79 attributable to the Urban Renewal Plan. See “THE DISTRICT – Organizational and General Description – *Location Within Dacono Urban Renewal Authority*.”

Sources: Weld County Assessor’s Office; Colorado Department of Local Affairs, Division of Property Taxation, Annual Reports.

***Assessed Valuation and Statutory “Actual” Value of Taxable Property in the District by Property Classification.*** The following table sets forth the total assessed valuation and total statutory “actual” value of taxable property in the District by property classification for the 2021 assessment year.

**2021 Assessed Valuation and Statutory “Actual” Value  
of Classes of Taxable Property in the District**

<b>Property Class</b>	<b>Total Assessed Valuation</b>	<b>Total Statutory “Actual Value</b>
Vacant	\$381,810	\$1,315,297
Residential	10,850,960	151,756,728
Commercial	2,130	7,330
Agricultural	9,290	32,005
Oil and Gas	147,490	508,472
State Assessed	335,570	1,157,123
Total	<u>\$11,727,250</u>	<u>\$154,776,955</u>

Source: Weld County Assessor’s Office

***Tax Levies and Collections.*** The following table sets forth the property tax levies and collections of the District since it was organized.

**Historical Mill Levies and Property Tax  
Collections for the District**

<b>Levy Year/ Collection Year</b>	<b>Property Taxes Levied and Collected</b>					
	<b><u>General Fund<sup>1</sup></u></b>	<b><u>Bond Redemption<sup>1</sup></u></b>	<b><u>Total Levy<sup>1</sup></u></b>	<b><u>Amount Levied</u></b>	<b><u>Amount Collected<sup>2</sup></u></b>	<b><u>Percent</u></b>
2016/2017	14.898	35.102	50.000	288,609	288,609	100%
2017/2018	11.055	44.220	55.275	500,238	500,238	100%
2018/2019	15.275	40.000	55.275	521,871	521,871	100%
2019/2020	11.133	44.530	55.663	592,073	592,074	100%
2020/2021	11.133	44.530	55.663	628,351	624,354	99.43%
2021/2022	11.133	44.530	55.663	652,769	327,005 <sup>3</sup>	50.10%

<sup>1</sup> One mill equals 1/10 of 1¢.

<sup>2</sup> Collections are rounded. They include current taxes and both current year and prior year delinquent taxes, but not interest or the deduction of County Treasurer's fees, and therefor may exceed the amount levied.

<sup>3</sup> Through May 16, 2022.

Sources: The District's annual financial statements; the District's management records; Colorado Department of Local Affairs, Division of Property Taxation, Annual Reports; and the Weld County Treasurer's Office

***Tax Levies of Overlapping Taxing Entities.*** In addition to the District's ad valorem property tax levy, owners of property within the District are obligated to pay property taxes to other taxing entities in which their property is located. Properties having the same aggregation of taxing entities are grouped into one or more tax districts. For the 2020 levy year (2021 tax collection year), taxable property in the District is within the tax districts set forth in the following table.

**2021 Mill Levies Applicable Within the District<sup>1</sup>**

<b><u>Taxing Entity</u></b>	
Weld County	15.038
Weld County School District RE-8	19.782
Northern Colorado Water Conservancy District	1.000
City of Dacono	24.628
Mountain View Fire Protection District	16.247
St. Vrain Sanitation District	0.473
Aims Junior College	6.342
Carbon Valley Recreation District	4.427
Longmont Conservation District	0.000
The District	<u>55.663</u>
Total:	<u>143.600</u>

<sup>1</sup> One mill equals 1/10 of 1¢. These mill levies are for the collection of ad valorem property taxes in 2022.

Source: Weld County Assessor's Office

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

#### **Ten Largest Taxpayers in the District**

<b>Taxpayer Name</b>	<b>2021 Assessed Valuation</b>
KB Home Colorado Inc.	\$342,520 <sup>1</sup>
United Power Inc.	116,460
Dacono Properties LLC	99,760
Kerr-McGee Gathering LLC	75,830
Anadarko Wattenberg Oil Complex LLC	69,330
Public Service Co of Colo (XCEL)	65,470
Black Hills Colorado Gas, Inc.	64,410
Kerr McGee Gathering LLC	60,880
Homeowner #1	39,270
Homeowner #2	36,850

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<sup>1.</sup> A significant portion of the District's assessed valuation owned by KB Home Colorado Inc. is within the Excluded Property.

Source: Weld County Assessor's Office.

### **Economic And Demographic Information**

The following information was prepared and provided by Development Research Partners, Inc. to give prospective investors general information concerning selected economic and demographic conditions existing in the geographic area within which the District is located. The statistics have been obtained from the referenced sources and represent the most current information available as of May 20, 2022 from the sources indicated; however, since certain information is released with a significant time lag, the information in some cases will not be indicative of existing or future economic and demographic conditions. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information not presented herein may be available concerning the area in which the District is located and prospective investors may want to review such information prior to making their investment decision. The following information is not to be relied upon as a representation or guarantee of the District or its officers, employees, or advisors.

***Overview.*** Colorado (the "State"), the most populous state in the Rocky Mountain region, has three distinct geographic and economic areas. The eastern half of the State consists of the eastern plains, which are flat, open, and largely devoted to agriculture. The Front Range lies along the eastern base of the Rocky Mountains and contains most of the State's metropolitan areas. The western half of the State which includes the Rocky Mountains and the Western Slope includes many acres of national park and forest land and significant reserves of minerals, natural gas, and other resources.

The State's population and wealth are concentrated in the Front Range, principally in four major metropolitan areas: Fort Collins/Greeley, Denver/Boulder, Colorado Springs, and Pueblo. This report presents data for Weld County, which is also the one-county Greeley Metropolitan Statistical Area ("MSA"). The District is located entirely within the limits of the City of Dacono, a community in Weld County. Weld County represents 5.6% of Colorado's population and 4.1% of the State's total employment.

The region is a prime area for business and industry growth, with key sectors including oil & gas extraction, manufacturing, construction, retail trade, and health care and social assistance.

**Population.** The following table sets forth population statistics for the City of Dacono, Weld County, the State, and the United States (the "U.S.").

Population Estimates (as of July 1)								
	Dacono		Weld County		Colorado		United States	
	Population	% Change	Population	% Change	Population	% Change	Population	% Change
1990	2,228	--	131,821	--	3,294,473	--	249,464,396	--
2000	3,066	37.6%	183,076	38.9%	4,338,801	31.7%	282,162,411	13.1%
2010	4,176	36.2	254,230	38.9	5,050,332	16.4	309,321,666	9.6
2011	4,275	2.4	258,836	1.8	5,124,143	1.5	311,556,874	0.7
2012	4,348	1.7	264,122	2.0	5,195,972	1.4	313,830,990	0.7
2013	4,413	1.5	270,164	2.3	5,272,662	1.5	315,993,715	0.7
2014	4,568	3.5	276,044	2.2	5,352,288	1.5	318,301,008	0.7
2015	4,841	6.0	285,027	3.3	5,453,996	1.9	320,635,163	0.7
2016	5,227	8.0	294,867	3.5	5,542,211	1.6	322,941,311	0.7
2017	5,526	5.7	305,088	3.5	5,615,732	1.3	324,985,539	0.6
2018	5,724	3.6	314,169	3.0	5,696,897	1.4	326,687,501	0.5
2019	5,928	3.6	323,763	3.1	5,763,976	1.2	328,239,523	0.5
2020 <sup>1</sup>	6,340	7.0	331,184	2.3	5,782,914	0.3	331,501,080	1.0

<sup>1</sup> Most recent data available.

Sources: U.S. Census Bureau, Decennial Census; Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Population Estimates Program.

**Income.** The following tables set forth historical median household income for the city of Dacono, Weld County, the State, and the U.S., and the per capita personal income levels for Weld County, the State, and the U.S.

Median Household Income								
	Dacono		Weld County		Colorado		United States	
	Income	% Change	Income	% Change	Income	% Change	Income	% Change
2013	\$45,313	--	\$57,180	--	\$58,433	--	\$53,046	--
2014	44,817	-1.1%	58,100	1.6%	59,448	1.7%	53,482	0.8%
2015	48,516	8.3	60,572	4.3	60,629	2.0	53,889	0.8
2016	48,807	0.6	62,820	3.7	62,520	3.1	55,322	2.7
2017	54,879	12.4	66,489	5.8	65,458	4.7	57,652	4.2
2018	67,524	23.0	70,908	6.6	68,811	5.1	60,293	4.6
2019 <sup>1</sup>	67,292	-3.4	74,150	4.6	72,331	5.1	65,712	8.9

<sup>1</sup> Most recent data available.

Source: U.S. Census Bureau, American Community Survey, 5-Year Estimates.



**Per Capita Personal Income in Current Dollars<sup>1</sup>**

	<b>Weld County</b>		<b>Colorado</b>		<b>United States</b>	
	<b>Income</b>	<b>% Change</b>	<b>Income</b>	<b>% Change</b>	<b>Income</b>	<b>% Change</b>
2013	\$38,798	--	\$47,311	--	\$44,860	--
2014	42,346	9.1%	50,711	7.2%	47,071	4.9%
2015	43,807	3.5	52,147	2.8	48,994	4.1
2016	43,632	-0.4	52,278	0.3	49,890	1.8
2017	44,173	1.2	55,374	5.9	51,910	4.0
2018	46,172	4.5	58,500	5.6	54,526	5.0
2019	48,923	6.0	60,848	4.0	56,047	2.8
2020 <sup>2</sup>	52,054	6.4	63,776	4.8	59,510	6.2

<sup>1</sup> Per capita personal income is total personal income divided by the July 1 population estimate.

<sup>2</sup> Most recent data available.

Source: US. Bureau of Economic Analysis.

**School Enrollment.** The following table presents a multi-year history of public school enrollment for the school districts serving the City of Dacono.

**School District Historical Enrollment<sup>1</sup>**

	<b>School District Re-1J- Longmont</b>		<b>Weld County School District RE-8</b>	
	<b>Enrollment</b>	<b>% Change</b>	<b>Enrollment</b>	<b>% Change</b>
2014-15	31,076	--	2,333	--
2015-16	31,776	2.3%	2,354	0.9%
2016-17	32,171	1.2	2,388	1.4
2017-18	32,421	0.8	2,428	1.7
2018-19	32,639	0.7	2,509	3.3
2019-20	32,855	0.7	2,452	-2.3
2020-21 <sup>2</sup>	31,312	-4.7	2,236	-8.8
2021-22	32,406	3.5	2,482	11.0

<sup>1</sup> The City of Dacono is serviced by two school districts, which are School District Re-1J-Longmont and Weld County School District RE-8. The property in the District is within Weld County School District RE-8.

<sup>2</sup> Decline in enrollment due to the COVID-19 pandemic.

Note: Enrollment reflects grades pre-kindergarten through 12.

Source: Colorado Department of Education.

**Housing Stock.** The following table sets forth a comparison of housing units within the City of Dacono, Weld County, the State, and the U.S.

Housing Units (as of July 1)								
	Dacono		Weld County		Colorado		United States	
	Units	% Change	Units	% Change	Units	% Change	Units	% Change
2013	1,597	--	99,434	--	2,265,392	--	133,538,615	--
2014	1,635	2.4%	100,895	1.5%	2,291,806	1.2%	134,388,318	0.6%
2015	1,717	5.0	103,164	2.2	2,320,695	1.3	135,285,123	0.7
2016	1,843	7.3	106,088	2.8	2,349,438	1.2	136,286,436	0.7
2017	1,939	5.2	109,225	3.0	2,386,170	1.6	137,366,902	0.8
2018	2,019	4.1	113,086	3.5	2,426,935	1.7	138,516,439	0.8
2019	2,091	3.6	103,164	3.2	2,467,730	1.7	139,684,244	0.8
2020 <sup>1</sup>	2,174	4.0	121,007	17.3	2,501,682	1.4	140,498,736	0.6

<sup>1</sup> Most recent data available.

Sources: Colorado Division of Local Government, State Demography Office; U.S. Census Bureau, Annual Estimates of Housing Units.

**Residential Building Permit Activity.** The following tables set forth a multi-year history of building permit activity and valuation for the City of Dacono, Weld County, the State, and the U.S.

#### Single-Family Detached Building Permit Activity

	Dacono		Weld County		Colorado		United States	
	Permits	Valuation	Permits	Valuation	Permits	Valuation	Permits	Valuation
2014	84	\$20,964,534	1,995	\$469,012,715	17,104	\$5,179,894,000	640,318	\$149,633,416,000
2015	102	25,456,934	2,624	619,661,314	20,025	5,993,814,000	695,998	166,276,881,000
2016	127	31,696,378	2,463	604,164,305	21,577	6,675,789,000	750,796	182,207,413,000
2017	82	21,873,779	2,777	689,378,977	24,338	7,439,961,000	819,976	200,599,885,000
2018	74	16,348,041	3,194	808,971,029	26,134	7,879,399,000	855,332	210,849,975,000
2019	72	16,735,860	3,335	897,995,464	24,756	7,652,182,000	862,084	213,271,119,000
2020 <sup>1</sup>	48	12,339,382	1,315	355,952,370	14,119	4,119,309,000	433,484	107,509,191,000

#### Single-Family Attached Building Permit Activity

	Dacono		Weld County		Colorado		United States	
	Permits	Valuation <sup>2</sup>	Permits	Valuation	Permits	Valuation	Permits	Valuation
2014	41	--	26	\$3,417,712	678	\$133,017,000	29,853	\$3,652,275,000
2015	130	--	42	7,023,227	621	119,560,000	32,077	4,050,333,000
2016	134	--	63	10,917,010	798	152,010,000	34,782	4,545,080,000
2017	87	--	197	26,609,883	759	131,687,000	37,195	5,095,918,000
2018	79	--	73	12,580,766	788	148,896,000	39,696	5,608,217,000
2019	87	--	44	9,609,596	722	120,231,000	42,593	6,204,255,000
2020 <sup>1</sup>	--	--	25	4,757,717	312	64,433,000	20,056	2,817,879,000

### Multi-Family Building Permit Activity

	Dacono		Weld County		Colorado		United States	
	Permits	Valuation <sup>2</sup>	Permits	Valuation	Permits	Valuation	Permits	Valuation
2014	--	--	687	\$67,793,081	10,916	\$1,169,003,000	381,953	\$41,064,009,000
2015	4	--	520	54,270,352	11,225	1,419,245,000	454,507	53,284,108,000
2016	--	--	483	50,095,131	16,599	2,101,098,000	421,064	50,349,112,000
2017	--	--	672	78,437,612	15,576	1,953,459,000	424,806	52,809,615,000
2018	--	--	840	63,898,143	15,705	2,202,245,000	433,799	54,661,352,000
2019	--	--	1,008	121,883,540	13,155	1,865,632,000	481,371	61,058,824,000
2020 <sup>1</sup>	--	--	492	39,469,070	4,839	639,073,000	204,862	27,290,426,000

<sup>1</sup> Building permits through second quarter of 2020.

<sup>2</sup> Information is not available.

Notes: Single-Family Attached includes 2 family units and 3-4 family units. Multi-Family includes 5+ units.

Source: U.S. Census Bureau and the City of Dacono, Colorado for the Single-Family Attached and Multi-Family Building Permit Activity. The information provided by the City of Dacono, Colorado may differ in presentation from that provided by the US. Census Bureau.

**Foreclosure Activity.** The following table provides a multi-year history of foreclosure filings in the City of Dacono, Weld County, the State, and the U.S. The foreclosure filing is the event that begins the foreclosure process. In general, a borrower who is at least three months delinquent will receive a filing notice from the Public Trustee for the county in which the property is located. At this point, the property is in foreclosure

Because a foreclosure filing can be cured or withdrawn before the home is sold at auction, not all filings result in foreclosure sales. Foreclosure sales at auction generally proceed between 110 and 125 days after the initial filing. Once a foreclosure sale is completed, the eviction process begins.

During the first quarter of 2021, Colorado public trustees reported 226 foreclosure filings and 103 sales at auction (completed foreclosures). During the first quarter of the previous year (2020), there were 1,397 filings and 307 sales. Comparing year-over-year for the first quarter, foreclosure filings fell 83.8 percent and completed foreclosures fell 66.4 percent. Comparing the fourth quarter of 2020 to the first quarter of 2021, foreclosure filings fell 8.9 percent from 248 to 226. Foreclosure sales rose 6.2 percent from 97 to 103 during the same period. Foreclosure activity was down drastically in 2020 compared to the previous year, and the trend has now carried over into the first quarter of 2021. This was likely due in part to a variety of state and federal regulatory limits on processing foreclosures that were implemented in the second quarter of 2020, and in many cases extended well into the second half of the year. Numerous financial institutions in the United States also declared slowdowns or suspensions on foreclosure processing in 2020 as a result of the COVID-19 pandemic. Moreover, demand for Colorado real estate has remained relatively strong and home prices continue to appreciate in many areas. In places where it is easy to sell one's home, it is easier to avoid foreclosure.

### Foreclosure Filings<sup>1</sup>

	Dacono		Weld County		Colorado		United States	
	Number of Foreclosures Filed	% Change	Number of Foreclosures Filed	% Change	Number of Foreclosures Filed	% Change	Number of Foreclosures Filed	% Change
2014	15	--	590	--	11,235	--	1,117,426	--
2015	12	-20.0%	424	-28.1%	8,241	-26.6%	1,083,572	0.7
2016	10	-16.7	408	-3.8	7,666	-7.0	933,045	0.7
2017	11	10.0	360	-11.8	6,680	-12.9	676,535	0.8
2018	4	-63.6	373	3.6	5,884	-11.9	624,753	0.8
2019	7	75.0	334	-10.7	5,610	-4.7	493,006	0.8
2020	1	--	375	--	2,130	--	214,323	--
2021 <sup>2</sup>	--	--	7	-98.1	226	-89.3	60,085	-72.0

<sup>1</sup> Some filings may have been subsequently cured or withdrawn and did not result in a sale at auction.

<sup>2</sup> Filings through first quarter 2021 for all geographies.

Sources. Weld County Public Trustee, Colorado Division of Housing; Realty Trac/AttomData.

**Retail Activity.** The retail trade sector employs a large portion of the area's workforce and is important to the area's economy. The following table provides total retail sales in the City of Dacono, Weld County, and the State, as reported for state sales tax purposes.

	Dacono		Weld County		Colorado	
	Retail Sales	% Change	Retail Sales	% Change	Retail Sales	% Change
2013	\$116,987	--	\$9,703,732	--	\$172,784,033	--
2014	130,990	12.0%	11,803,730	21.6%	182,709,978	5.7%
2015	127,178	-2.9	10,538,265	-10.7	182,845,280	0.1
2016	148,382	16.7	9,875,734	-6.3	184,703,410	1.0
2017	144,492	-2.6	11,113,079	12.5	194,641,958	5.4
2018	190,182	31.6	12,167,650	9.5	206,121,045	5.9
2019	215,743	13.4	13,251,205	8.9	224,618,938	9.0
2020	228,491	5.9	12,951,377	-2.3	228,812,220	1.9
2021	311,503	36.3%	14,711,836	13.6%	268,328,759	17.3%

Source: State of Colorado, Department of Revenue, Sales Tax Statistics.

**Employment.** The following table sets forth employment statistics by industry for Weld County. Industry designations are based on the North American Industrial Classification System. Employment includes only those workers covered by unemployment insurance; most workers in the state are covered.

### Average Annual Number of Employees by Industry--Weld County

Industry <sup>1</sup>	1Q 2019	1Q 2020	1Q 2021	Absolute Change	% Change
Private Sector					
Agriculture, Forestry, Fishing, and Hunting	3,868	4,070	3,969	101	2.6%
Mining	8,898	7,995	4,649	-4,249	-47.8
Utilities	399	431	535	136	34.1
Construction	11,580	12,132	10,460	-1,120	-9.7
Manufacturing	14,228	14,318	13,461	-767	-5.4
Wholesale Trade	4,374	4,440	4,225	-149	-3.4
Retail Trade	10,285	10,637	10,691	406	3.9
Transportation and Warehousing	3,849	3,897	3,809	-40	-1.0

Industry <sup>1</sup>	1Q 2019	1Q 2020	1Q 2021	Absolute Change	% Change
Information	689	627	757	68	9.9
Finance and Insurance	2,776	2,841	2,836	60	2.2
Real Estate and Rental and Leasing	1,386	1,460	1,328	-58	-4.2
Professional and Technical Services	3,158	3,426	3,422	264	8.4
Management of Companies and Enterprises	1,777	1,979	1,858	81	4.6
Administrative and Waste Services	5,621	5,676	5,427	-194	-3.5
Educational Services	757	814	9,661	8,904	1176.2
Health Care and Social Assistance	9,636	9,808	10,277	641	6.7
Arts, Entertainment, and Recreation	769	729	863	94	12.2
Accommodation and Food Services	8,625	8,656	7,637	-988	-11.5
Other Services	2,718	2,793	2,630	-88	-3.2
Unclassified	--	--	--	--	--
Government	<u>16,172</u>	<u>16,604</u>	<u>5,446</u>	<u>-10,726</u>	<u>-66.3</u>
<b>Total<sup>2</sup></b>	<b><u>111,567</u></b>	<b><u>113,335</u></b>	<b><u>103,941</u></b>	<b><u>-7,626</u></b>	<b><u>-6.8%</u></b>

1 Information provided herein reflects only those employers who are subject to State unemployment insurance law.

2 Industry data may not add to all-industry total due to rounding, suppressed data, and employment that cannot be assigned to an industry.

-- Data suppressed due to confidentiality

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

The following table provides labor force and unemployment statistics for Weld County, the State, and the U.S.

	Labor Force Estimates					
	Weld County		Colorado		United States	
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate
2015	147,740	3.9%	2,825,111	3.9%	157,130,000	5.3%
2016	149,828	3.4	2,891,677	3.3	159,187,000	4.9
2017	157,550	2.7	2,986,522	2.8	160,320,000	4.4
2018	165,053	2.9	3,080,662	3.2	162,075,000	3.9
2019	170,001	2.5	3,148,766	2.8	163,539,000	3.7
2020	164,840	7.0	3,085,664	6.9	160,754,000	8.1
2021	165,660	5.7%	3,155,615	5.4	161,204,000	5.4

Source: U.S. Bureau of Labor Statistics.

The following table sets forth the major employers in Weld County. No independent investigation has been made, and no representation is made herein as to the financial condition of the employers listed below or the likelihood that these employers will maintain their status as major employers in the area. Employment counts for these businesses may have changed since this table was compiled, and other large employers may exist in the area that are not included in the table.



### Major Non-Retail Employers in Weld County

<u>Rank</u>	<u>Employer</u>	<u>Product or Service</u>	<u>Estimated Employees<sup>1</sup></u>
1	JBS USA & Affiliates	Beef Processing/Corporate Office	6,000
2	Banner Health: North Colorado Medical Center	Healthcare	3,710
3	Vestas	Wind Turbine Manufacturing	2,890
4	Greeley/Evans School District 6	Public Education	2,680
5	Weld County	County Government	1,760
6	City of Greeley	City Government	1,750
7	University of Northern Colorado	University	1,720
8	State Farm Insurance Companies	Insurance	1,200
9	UCHealth	Healthcare	1,030
10	Weld RE-4 School District	Public Education	930
11	Halliburton Energy Services, Inc.	Oil & Gas Development	900
12	Federal Government	Federal Government	590
13	Leprino Foods	Cheese & Dairy Foods Manufacturing	510
14	TTEC	Financial Services Support	490
15	Superior Energy Services	Oil Field Services	460

<sup>1</sup> Figures include full- and part-time employees

### Projection of Future Assessed Valuation

The Financial Forecast includes schedules of the estimated future assessed valuation of taxable property in the District. See “APPENDIX B – FINANCIAL FORECAST.” The Financial Forecast is based on specific information and assumptions stated therein and should be read in its entirety for an understanding of the methodology and the underlying assumptions contained therein. Prospective investors are cautioned that any projection is subject to uncertainties, and inevitably some assumptions used to develop the Financial Forecast will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between projected and actual results, and such differences may be material. No representation or guarantee is made herein that the conclusions of the Financial Forecast will be realized. See also “RISKS AND OTHER INVESTMENT CONSIDERATIONS” generally and “PRELIMINARY NOTICES – Cautionary Statement Regarding Forecasts, Estimates and Other Forward Looking Statements.”

### Specific Ownership Taxes

The District also receives a portion of the specific ownership tax imposed by the State, collected by the County Treasurer and remitted to the District pursuant to Article 3 of Title 42, C.R.S., in connection with the registration of certain motor vehicles and other personal property. The amount of specific ownership taxes collected by the County Treasurer is apportioned among all political and governmental subdivisions located within the County on the basis of the amount of ad valorem property taxes levied by such entities within the County during the preceding calendar year.

The Senior Pledged Revenue and the Subordinate Pledged Revenue include the portion of the specific ownership taxes remitted to the District as a result of the imposition of the Senior Required Mill Levy and the Subordinate Required Mill Levy, respectively, as discussed in “THE SERIES 2022A SENIOR BONDS – Security and Sources of Payment – *Senior Pledged Revenue – Senior Specific Ownership Taxes*” and “THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment – *Subordinate Pledged Revenue – Subordinate Specific Ownership Tax Revenues*.” The other specific ownership tax

revenue received by the District is used to fund operation and maintenance expenses of the District and is not pledged to the payment of the Bonds. See also “Historical Operating Results of the District” hereafter.

### **Rates, Fees and Charges**

Pursuant to the Special District Act, Colorado special districts have the authority to fix, and from time to time, increase or decrease fees, rates or charges for services or facilities furnished by or available from the districts and to pledge such revenues for the payment of any indebtedness of thereof. Such fees, rates and charges, together with any and all late fees, interest, penalties and costs of collection, constitute a statutory perpetual lien on and against the property served until paid, and any such lien may be foreclosed in the manner provided by State law for the foreclosure of mechanic’s liens, pursuant to Section 32 1 1001(1)(j)(1), C.R.S. Such lien may be foreclosed at such time as the District, in its sole discretion, may determine. The Service Plan provides that the Districts may not impose and collect fees for services, programs or facilities furnished by the Districts unless approved by the City as a material modification of thereof. The District does not currently impose any rates, fees or charges.

### **Funding of Operations and Maintenance Costs**

Pursuant to the Coordinating Agreement, District No. 1 agrees to own, operate and maintain all Public Improvements within the boundaries of the Districts that are not otherwise dedicated or conveyed to the City, the County or other public entity or owners’ association, in accordance with the Service Plan and any approved development plans for the Development. See “THE DISTRICT – Certain District Agreements– *Coordinating Agreement*.”

Pursuant to the Special District Act, the Service Plan and the Election, the Districts are authorized to impose ad valorem property taxes to defray administrative, operation and maintenance expenses, subject to the current limitation in the Service Plan as discussed in “Ad Valorem Property Taxes – *General*” in this section. To date, operation and maintenance expenses have been funded primarily with property tax revenue and specific ownership tax revenue, and it is expected that in the future such expenses will continue to be funded primarily from property tax revenue and specific ownership tax revenue. See “Rates, Fees and Charges” above in this section.

### **Deposit and Investment of District Funds**

State statutes set forth requirements for the deposit of District funds in eligible depositories and for the collateralization of such deposited funds. The District also may invest available funds in accordance with applicable State statutes. The investment of the proceeds of the Bonds also is subject to the provisions of the Tax Code and the Indentures. See “TAX MATTERS,” “APPENDIX D – SELECTED PROVISIONS OF THE SENIOR INDENTURE – Tax Covenants” and “APPENDIX E – SELECTED PROVISIONS OF THE SUBORDINATE INDENTURE – Tax Covenants.”

### **Historical Operating Results of the District**

Set forth in the following table are the revenues and expenditures of the District for Fiscal Years 2016-2020 presented in conformance with regulations issued by the State Auditor. See “Financial Statements” above in this section. For reporting purposes, the District’s accountant consolidates the general fund and debt service fund, which is reflected as the general fund in the District’s financial statements.

**Comparative Statement of Revenues, Expenditures, and Change in Fund Balance of District No. 2  
2016-2020**

**General Fund**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Revenue</b>					
Property Taxes	\$ 309,789	\$ 288,212	\$ 500,198	\$ 521,872	\$ 592,075
Specific Ownership Taxes	18,208	22,413	38,496	35,059	28,103
Net Investment Income	790	961	1,952	2,675	130
Intergovernmental -Metro District No. 1	24,851	17,437	119,653	18,448	29,796
Intergovernmental -Metro District No. 3	-	36,120	-	-	-
Miscellaneous Income	398	398	-	-	-
<b>Total Revenue</b>	<u>354,036</u>	<u>365,541</u>	<u>660,299</u>	<u>578,054</u>	<u>650,104</u>
<b>Expenditures</b>					
Current:					
Intergovernmental – Metro District No. 1	2,370,071	2,353,799	9,099,900	150,000	332,865
County Treasurer’s Fees	4,654	4,330	7,505	7,829	8,882
Audit	8,150	8,250	8,500	8,670	9,555
Accounting	-	-	-	-	6,229
Insurance	1,920	3,923	2,153	1,903	2,395
Trustee Fees	-	-	3,000	2,000	2,000
Miscellaneous	7,978	330	343	328	1,374
Debt Service:					
Principal	2,750,000	58,000	7,972,000	61,000	140,000
Interest and Fiscal Charges	187,803	235,132	315,747	330,668	329,546
Custodial Fee	-	3,000	3,000	3,000	3,000
Non-use Fee	-	4,896	314	34,931	25,417
Loan Origination Fees	156,619	23,332	203,268	-	-
<b>Total Expenditures</b>	<u>5,487,195</u>	<u>2,694,992</u>	<u>17,615,730</u>	<u>600,329</u>	<u>861,263</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(5,133,159)	(2,329,451)	(16,955,431)	(22,275)	(211,159)
<b>OTHER FINANCING SOURCES</b>					
Proceeds from Debt Instrument	4,912,150	2,333,148	17,007,202	-	182,500
Total Other Financing Sources	4,912,150	2,333,148	17,007,202	-	182,500
<b>NET CHANGE IN FUND BALANCE</b>	(221,009)	3,697	51,771	(22,275)	(28,659)
Fund Balances – Beginning of Year	231,672	10,663	14,360	66,131	43,856
<b>FUND BALANCES – END OF YEAR</b>	<u>\$ 10,663</u>	<u>\$ 14,360</u>	<u>\$ 66,131</u>	<u>\$ 43,856</u>	<u>\$ 15,197</u>

Sources: The District’s audited financial statements for the Fiscal Years Ended December 31, 2016, 2017, 2018, 2019, and 2020.

## Budgets and Appropriations

**Procedure.** State law requires that the District prepare and adopt an annual budget. The budget is to present a complete financial plan for the District, setting forth all estimated expenditures, revenues and other financing sources for the ensuing budget year, together with the corresponding figures for the previous fiscal year. In estimating the anticipated revenues, consideration must be given to any unexpended surpluses and the historical percentage of tax collections. Further, the budget must show a balanced relationship between the total proposed expenditures and the total anticipated revenues and other financing sources. In addition, the budget must set forth a supplemental schedule showing the District’s obligations with respect to any outstanding lease-purchase agreements.

Annual budgets are required to be prepared either on a cash basis, a modified accrual basis or an encumbrance basis. The District uses the modified accrual basis in preparing its budgets.

On or before October 15<sup>th</sup> of each year, the District’s budget officer is required to submit to the Board a proposed budget for the ensuing fiscal year. Thereupon notice must be published stating, among

other things, that the proposed budget is open for inspection by the public and that interested electors may file or register any objection to the budget.

Before the beginning of the fiscal year, the Board is required to enact an appropriation resolution that corresponds with the budget. The income of the District must be allocated in the amounts and according to the funds specified in the budget for the purpose of meeting the expenditures authorized by the appropriation resolution. District expenditures may not exceed the amounts appropriated, except in the case of an emergency or a contingency which was not reasonably foreseeable. Under such circumstances, the Board may authorize the expenditure of funds in excess of the budget by a resolution adopted by a majority vote of the Board following proper notice. If the District receives revenues which were unanticipated or unassured at the time of adoption of the budget, the Board may authorize the expenditure thereof by adopting a supplemental budget and appropriation resolution after proper notice and a hearing thereon. The transfer of budgeted and appropriated moneys within a fund or between funds may be accomplished only in accordance with State law.

It is through the preparation of the budget and by taking into consideration all sources of revenue, costs of construction, expenses of operating the District and the debt service requirements of the District's outstanding bonds and other obligations that the rate of mill levy is determined each year. See also "Revenue and Spending Limitations" above.

***District Budget.*** Set forth below is the adopted budgets of the District for Fiscal Years 2021 and 2022, which are prepared as prescribed by State law. Also included are the District's actual (unaudited) Fiscal Year 2021 financial statements.

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	2021 and 2022 Adopted Budgets				
	2021 Budget		2021 Actuals <sup>(1)</sup>	2022 Budget	
	General Fund	Debt Service Fund		General Fund	Debt Service Fund
<b>Revenue</b>					
Taxes					
Property	\$ 125,674	\$ 502,674	\$ 627,934	\$ 130,559	\$ 522,211
Specific Ownership	7,540	30,160	31,531	6,528	26,111
TIF	1	3	4	1	4
Intergovernmental					
Transfer from Sweetgrass MD No. 1	27,800	-	67,609	43,250	-
Transfer from Sweetgrass MD No. 3	-	-	-	-	-
Investment Income	-	-	266	-	-
Other	-	-	-	-	-
<b>Total Revenue</b>	<b>\$ 161,015</b>	<b>\$ 532,837</b>	<b>\$ 727,343</b>	<b>\$ 180,337</b>	<b>\$ 548,325</b>
<b>Expenditures</b>					
Current					
County Treasurer's fees	1,885	7,540	9,423	1,958	7,833
Insurance	2,800	-	2,260	2,750	-
Accounting	5,000	-	44,718	25,000	-
Audit	10,000	-	9,450	10,500	-
Legal	5,000	-	-	-	-
Director fees	-	-	-	-	-
Other	5,000	-	1,057	5,000	-
<b>Subtotal Current</b>	<b>29,685</b>	<b>7,540</b>	<b>66,909</b>	<b>45,208</b>	<b>7,833</b>
Capital Outlay					
Work in progress	-	-	-	-	-
<b>Subtotal capital outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Intergovernmental					
Transfers to Sweetgrass MD No. 1	200,000	-	256,000	-	-
Transfers to Sweetgrass MD No. 3	-	-	-	-	-
<b>Subtotal intergovernmental</b>	<b>200,000</b>	<b>-</b>	<b>256,000</b>	<b>-</b>	<b>-</b>
Debt Service					
Loan origination fees / bond counsel	18,000	-	-	-	661,082
Non-use fees	4,767	19,140	12,639	-	4,583
Custodial / trustee fees	-	-	5,000	-	7,000
Principal					
2018A Limited Tax General Obligation Note	-	160,000	-	-	9,609,000
2018B Limited Tax General Obligation Note	-	-	-	-	-
2018C Subordinate Limited Tax Revenue Bond	-	-	-	-	849,919
Interest					
2018A Limited Tax General Obligation Note	-	324,002	324,002	-	162,445
2018B Limited Tax General Obligation Note	-	24,083	-	-	-
2018C Subordinate Limited Tax Revenue Bond	1,506,951	-	-	-	1,601,463
<b>Subtotal debt service</b>	<b>1,529,718</b>	<b>527,225</b>	<b>341,641</b>	<b>-</b>	<b>12,895,492</b>
<b>Total expenditures</b>	<b>\$ 1,759,403</b>	<b>\$ 534,765</b>	<b>\$ 664,550</b>	<b>\$ 45,208</b>	<b>\$ 12,903,325</b>
<b>(DEFICIENCY) REVENUES OVER EXPENDITURES</b>	<b>\$ (1,598,388)</b>	<b>\$ (1,928)</b>	<b>\$ 62,794</b>	<b>\$ 135,129</b>	<b>\$ (12,355,000)</b>
<b>OTHER FINANCING SOURCES</b>					
Debt Proceeds	1,800,000	-	125,0200	-	12,355,000
Developer advances received	-	-	-	-	-
Change in working capital	-	-	(181)	-	-
<b>Total Other Financing Sources</b>	<b>\$ 1,800,000</b>	<b>\$ -</b>	<b>\$ 124,819</b>	<b>\$ -</b>	<b>\$ 12,355,000</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>201,612</b>	<b>(1,928)</b>	<b>187,613</b>	<b>135,129</b>	<b>-</b>
<b>FUND BALANCE – BEGINNING OF YEAR</b>	<b>195</b>	<b>1,928</b>	<b>2,124</b>	<b>17,522</b>	<b>-</b>
<b>FUND BALANCES – END OF YEAR</b>	<b>\$ 201,807</b>	<b>\$ -</b>	<b>\$ 189,737</b>	<b>\$ 152,651</b>	<b>\$ -</b>

<sup>(1)</sup> Unaudited. Through December 31, 2021.

Sources: The District's Adopted Budgets for Fiscal Years Ended December 31, 2021 and 2022, and the District's unaudited financial statements for the Fiscal Year Ended December 31, 2021.



## DISTRICT DEBT STRUCTURE

### Authorization

**Generally.** As discussed above in “DISTRICT FINANCIAL INFORMATION – Revenue and Spending Limitations – TABOR,” prior voter approval is required for the creation of any multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years, except for refinancing at a lower interest rate or adding new employees to existing pension plans. In addition, the State constitution and the Special District Act provide that no general obligation debt by loan in any form, whether individually or by contract, may be created by the District unless the question of incurring the same is first submitted to and approved by a majority of the qualified “taxpaying electors” (as defined by statute) of the District. Certain obligations, such as revenue obligations of an “enterprise” (as defined in TABOR) and obligations that do not extend beyond the fiscal year in which incurred, do not require prior voter approval.

***Voter-Approved Debt Authorization Prior to the Issuance of the Bonds.*** At the District’s election held on November 1, 2005, the District was authorized to incur the following debt:

<b>Voter-Approved Debt Authorized for the District</b>	
<b><u>Purpose</u></b>	<b><u>Principal Amount Authorized</u></b>
Street improvements	\$20,000,000
Water improvements	20,000,000
Storm and sanitation improvements	20,000,000
Park and recreation improvements	20,000,000
Traffic and safety improvements	20,000,000
Transportation improvements	20,000,000
Mosquito control improvements	<u>20,000,000</u>
Total indebtedness for improvements	<u>\$140,000,000</u>
Operations and maintenance debt	20,000,000
Reimbursement agreements	20,000,000
Intergovernmental agreements	20,000,000
Management service agreements	20,000,000
Refunding debt	<u>20,000,000</u>
Total indebtedness for agreements	<u>\$100,000,000</u>
Total authorized indebtedness	<u>\$240,000,000</u>

To the extent the issuance of the Bonds does not constitute a refinancing at a lower interest rate, it is anticipated that the voter-approved debt authorization of the District will be allocated towards the District’s remaining authorization for refunding debt. See “General Obligations – *Debt Limits*” hereafter.

***Voter-Approved Debt Authorization Available After Issuance of the Bonds.*** Upon the issuance of the Bonds, the District will have available voter-approved indebtedness of \$10,615,367 for refunding debt, \$131,805,000 for the purpose of funding public improvements, \$20,000,000 for the purpose of funding operation and maintenance expenses and \$20,000,000 for each of the following purposes: reimbursement agreements, intergovernmental agreements, and management service agreements of the District. See, however, “General Obligations – *Debt Limits*” hereafter in this section, as well as “THE SERIES 2022A

SENIOR BONDS – Security and Sources of Payment – *Additional Obligations*” and “THE SERIES 2022B SUBORDINATE BONDS – Security and Sources of Payment – *Additional Obligations*.”

## General Obligations

**Debt Limits.** The Special District Act provides that, with certain exceptions, the total principal amount of general obligation debt issued by a special district may not at the time of issuance exceed the greater of \$2,000,000 or 50% of the special district’s assessed valuation. Exceptions to this statutory debt limit include obligations that are issued solely to financial institutions or institutional investors as defined in Section 32-1-103, C.R.S., investment grade rated obligations, obligations that are secured by certain types of credit enhancements, obligations payable from an ad valorem property tax of not more than 50 mills (not subject to adjustment for changes in the method of determining assessed valuation), obligations which are refundings or restructurings of outstanding obligations and certain obligations of an insolvent special district. Based upon the 2021 assessed valuation of the District, the Bonds will exceed the statutory debt limit of the District, although the Bonds will qualify for exceptions to the District’s statutory debt limit.

In addition to the statutory debt limit, the Service Plan currently limits the District to the issuance of an aggregate of \$11,500,000 of general obligation debt. The Service Plan also currently limits all of the Districts to the combined issuance of an aggregate of \$58,500,000 of general obligation debt. Debt for purposes of the Service Plan generally means the principal amount of any obligation payable in whole or in part from ad valorem property taxes and/or rates and charges as described therein. Upon the issuance of the Bonds, the District will have \$46,891,876 of capacity remaining under such debt limit.

**Outstanding General Obligation Debt.** Upon the issuance of the Bonds and the issuance of the District No. 1 Series 2022B Subordinate Bond, and the application of the net proceeds thereof to the refunding of the Series 2018C Bonds, the Bonds will constitute the only outstanding limited tax general obligation debt of the District.

**Estimated Overlapping General Obligation Debt.** A number of other public entities encompass all or a portion of the property in the District. The properties in the District that are within such other public entities are liable for an allocable portion of any general obligation debt which such entities may have outstanding from time to time. The following table sets forth the estimated overlapping general obligation debt chargeable to properties within the District as of the date of this Official Statement.

Estimated Overlapping General Obligation Debt

<u>Overlapping Entity<sup>1,2</sup></u>	<u>2021 Assessed Valuation</u>	<u>Outstanding General Obligation Debt</u>	<u>Estimated Current District Portion<sup>2</sup></u>	
			<u>Percent</u>	<u>Amount</u>
Weld County School District RE-8	\$1,133,954,020	\$52,460,000	0.04%	\$20,984
City of Dacono	230,048,890	908,650	0.01%	82
Mountain View Fire Protection District	1,183,678,990	4,645,000	0.05%	<u>2,043</u>
Total:				\$46,218

<sup>1</sup> Other public entities also overlap the District but currently have no general obligation debt outstanding. See “DISTRICT FINANCIAL INFORMATION – Property Tax Statistics – *Levies of Overlapping Taxing Entities*.”

<sup>2</sup> The percentage of an overlapping entity’s outstanding debt chargeable to properties in the District is calculated by comparing the current assessed valuation of the overlapping property to the total current assessed valuation of the overlapping entities. This percentage is subject to fluctuation in accordance with future changes in assessed valuations.

Sources: Weld County Assessor’s Office and overlapping entities.

**General Obligation Debt Ratios.** The following table presents selected general obligation debt ratios for the District on an aggregate basis following the issuance of the Bonds.

## Selected General Obligation Debt Ratios of the District

	<u>2022A Debt</u>	<u>Total Debt</u>
General Obligation Debt Outstanding	\$8,150,000	\$9,325,000
Estimated Overlapping Debt <sup>1</sup>	\$46,218	\$46,218
Direct Plus Overlapping Debt	\$8,196,218	\$9,371,218
2021 Assessed Valuation <sup>2,3</sup>	\$11,411,570	\$11,411,570
2021 Statutory “Actual” Value <sup>2,4</sup>	\$153,427,955	\$153,427,955
Ratio of Direct Debt to:		
2021 Assessed Valuation	71.42%	81.72%
2021 Statutory “Actual” Value	5.31%	6.08%
Ratio of Direct and Overlapping Debt to:		
2021 Assessed Valuation	71.82%	82.12%
2021 Statutory “Actual” Value	5.34%	6.11%

<sup>1</sup> See “Estimated Overlapping General Obligation Debt” above.

<sup>2</sup> See “DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes – Statutory “Actual” Value – Determination of Assessed Value.

<sup>3</sup> Represents the projected assessed valuation of the District for 2022 (in collection year 2023) after the exclusion of the Excluded Property. See “DISTRICT FINANCIAL INFORMATION – Property Tax Statistics – Assessed Valuation and Statutory “Actual” Value.”

<sup>4</sup> Represents the 2021 aggregate statutory “actual” value of the District less the approximate statutory “actual” value of the Excluded Property. See “DISTRICT FINANCIAL INFORMATION – Property Tax Statistics – Assessed Valuation and Statutory “Actual” Value.”

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

## Revenue and Other Financial Obligations

The District also has the authority to issue or incur obligations that are payable from the net revenue of any revenue producing facilities, to enter into obligations that do not extend beyond the current Fiscal Year and to incur certain other obligations, none of which constitute indebtedness for purposes of Article XI, Section 6 of the State constitution but may require prior voter approval in accordance with TABOR. See “Authorization” in this section and “DISTRICT FINANCIAL INFORMATION – Revenue and Spending Limitations – TABOR.”

## RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) is expected to give the Series 2022A Senior Bonds the rating of “AA” based upon the issuance of the Policy by the Bond Insurer. The ratings reflect only the view of S&P and Moody’s, and there is no guaranty that they will continue for any given period of time after obtained or that the ratings will not be revised downward or withdrawn entirely either rating agency if, in the judgment of such rating agency, circumstances so warrant. Any downward revision or withdrawal of either rating may have an adverse effect on the market price of the Series 2022A Senior Bonds.

No application has been or is intended to be made for a rating of the Series 2022B Subordinate Bonds.

## LITIGATION

***District.*** There is no litigation now pending or, to the knowledge of the District officials responsible for the issuance of the Bonds, threatened which questions the validity of the Bonds or of any proceedings of the District taken with respect to the issuance or sale thereof.

***District's Counsel.*** The District's general counsel is expected to render an opinion on the date of issuance of the Bonds stating that, to the best of its knowledge, there is no action, suit, or proceeding pending in which the District is a party, nor is there any inquiry or investigation pending against the District by any governmental agency, public agency, or authority.

## LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Bonds are subject to approval by Kline Alvarado Veio, P.C., Denver, Colorado, as Bond Counsel, whose opinions are expected to be delivered in substantially the forms set forth in "APPENDIX H – FORM OF BOND COUNSEL OPINION FOR THE SERIES 2022A SENIOR BONDS" and "APPENDIX I – FORM OF BOND COUNSEL OPINION FOR THE SERIES 2022B SUBORDINATE BONDS." Certain matters will be passed upon for the District by White Bear Ankele Tanaka & Waldron, P.C., Centennial, Colorado, as general counsel to the District. Sherman & Howard L.L.C., Denver, Colorado, has served as counsel to the Underwriter in connection with this financing. Kline Alvarado Veio, P.C. has also served as disclosure counsel to the District and in such capacity has assisted in the preparation of this Official Statement.

The legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization and insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles that may limit the specific enforcement under state law of certain remedies; to the exercise by the United States of America of the powers delegated to it by the U.S. Constitution; and to 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 an important public purpose.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## TAX MATTERS

### **Federal Tax Matters**

The following is a summary of certain material federal income tax consequences of the purchase, ownership and disposition of the Bonds for the investors described below and is based on the advice of Kline Alvarado Veio, P.C., as Bond Counsel. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of Bonds.

## **General**

In the opinion of Kline Alvarado Veio, P.C., Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is exempt from federal alternative minimum tax.

The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludible from gross income for federal tax purposes. The opinions set forth above are subject to continuing compliance by the District and others with such covenants. Failure to comply with such covenants could cause interest on the Bonds to be included in gross income retroactive to the date of issue of such Bonds.

***Original Issue Premium.*** Certain of the Bonds were offered at a premium (“original issue premium”) over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a Bond through reductions in the holder’s tax basis for the Bond for determining taxable gain or loss upon sale or redemption prior to maturity. Amortization of premium does not create a deductible expense or loss. Holders should consult their tax advisers for an explanation of the amortization rules.

***Original Issue Discount.*** Certain of the Bonds were offered at a discount (“original issue discount”) equal generally to the difference between the public offering price and the principal amount. For federal income tax purposes, original issue discount on a Bond accrues periodically over the term of the Bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder’s tax basis in the Bond for determining taxable gain or loss upon sale or redemption prior to maturity. Holders should consult their tax advisers for an explanation of the accrual rules.

## **Exemption Under State Tax Law**

In Bond Counsel’s further opinion, interest on the Bonds is excludable from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds.

## **Changes in Federal and State Tax Law**

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the 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 or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

See also “APPENDIX H – FORM OF BOND COUNSEL OPINION FOR THE SERIES 2022A SENIOR BONDS” and “APPENDIX I – FORM OF BOND COUNSEL OPINION FOR THE SERIES 2022B SUBORDINATE BONDS.”



**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 FEDERAL TAX CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.**

## **UNDERWRITING**

Wells Fargo Securities, LLC, Denver, Colorado (the “Underwriter”) has agreed to purchase the Series 2022A Senior Bonds from the District under a Bond Purchase Agreement at a purchase price equal to \$8,087,478.49 (which is equal to the par amount of the Series 2022A Senior Bonds of \$8,150,000.00 and an net original issue premium of \$41,566.15, less Underwriter’s discount of \$104,087.66). The Underwriter has agreed to purchase the Series 2022B Subordinate Bonds from the District under a Bond Purchase Agreement at a purchase price equal to \$1,156,137.82 (which is equal to the par amount of the Series 2022B Subordinate Bonds of \$1,175,000.00, less Underwriter’s discount of \$18,862.18).

Wells Fargo Corporate & Investment Banking (which may be referred to elsewhere as “CIB,” “Wells Fargo Securities” or “WFS”) is the trade name used for the corporate banking, capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, and a member of NYSE, FINRA, NFA, and SIPC.

Wells Fargo Securities, LLC (“WFSLLC”), the sole underwriter of the Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name “Wells Fargo Advisors”) (“WFA”) for the distribution of certain municipal securities offerings, including the Bonds. Pursuant to the WFA Distribution Agreement, WFSLLC will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFSLLC has also entered into an agreement (the “WFBNA Distribution Agreement”) with its affiliate, Wells Fargo Bank, N.A., acting through its Municipal Finance Group (“WFBNA”), for the distribution of municipal securities offerings, including the Series 2022A Bonds. Pursuant to the WFBNA Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

## **INDEPENDENT AUDITORS**

The financial statements of the District as of December 31, 2020, included herein as Appendix A, have been audited by CliftonLarsonAllen LLP, Certified Public Accountants, Greenwood Village, Colorado, as stated in their report appearing herein. CliftonLarsonAllen LLP has not been engaged to perform and has not performed, since the date of their report included herein, any procedures on the financial statements addressed in such report, nor has CliftonLarsonAllen LLP performed any procedures relating to this Official Statement.

## **CONTINUING DISCLOSURE**

Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (“Rule 15c2-12”), the District has covenanted, for the benefit of the holders of the Bonds, to provide certain financial information and other operating data and notices of material events after the Bonds are issued. The District will enter into a Continuing Disclosure Certificate in which the District will agree to provide, or cause to be provided, to the MSRB, through its EMMA system, certain information concerning the District and the Bonds on an annual basis, as well as notice of the occurrence of certain

events affecting the Bonds. See “APPENDIX G– FORM OF CONTINUING DISCLOSURE AGREEMENT” for a description of the annual information and the notices of events to be provided and other terms of the Continuing Disclosure Certificate.

Failure of the District to comply with the Continuing Disclosure Certificate does not constitute a Senior Indenture Event of Default or a Subordinate Indenture Event of Default, but the Continuing Disclosure Certificate provides that any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations thereunder.

The District has not incurred any financial obligations that have been subject to Rule 15c2-12 and therefore has never delivered a continuing disclosure undertaking pursuant to Rule 15c2-12.

## **MISCELLANEOUS**

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the federal Securities Act of 1933, as amended, the Colorado Securities Act, as amended, or the Colorado Municipal Bond Supervision Act, as amended, pursuant to exemptions from registration provided in such acts. THE DISTRICT ASSUMES NO RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED.

The Colorado Municipal Bond Supervision Act generally provides for the Colorado Securities Commissioner (the “Commissioner”) to regulate and monitor the issuance of municipal securities by special districts and certain other entities. Among other things, the act requires that all bonds, debentures, or other obligations (defined in the Act as “bonds”) issued by a special district must first be registered with the Commissioner unless exempt under the Act. The Bonds qualify for exemptions from such registration.

There can be no assurance that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions, lack of current information, the absence of a credit rating for the Bonds or adverse history or economic prospects connected with a particular issue or industry, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price. Consequently, Owners may be required to bear the financial risks of this investment for an indefinite period of time.

The appendices to this Official Statement are integral parts hereof and must be read together with all other parts of this Official Statement.

Brief descriptions of the Bonds, the Indentures, the District and various other documents, statutes, reports or other instruments are included in this Official Statement and the appendices hereto. These descriptions do not purport to be comprehensive or definitive. All references herein to the documents, statutes, reports or other instruments described herein are qualified in the entirety by reference to each such document, statute, report or other instrument. Copies of documents, statutes, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports and documents described in this Official Statement are either publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from the sources specified in “INTRODUCTION – Additional Information.”

So far as any statements made in this Official Statement involve matters of opinion, projections, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

The information contained in this Official Statement has been obtained from sources which are deemed to be reliable, but is not guaranteed as to accuracy or completeness. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

UMB BANK, N.A., BY ACCEPTANCE OF ITS DUTIES AS THE SENIOR INDENTURE TRUSTEE AND THE SUBORDINATE INDENTURE TRUSTEE, HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS MADE NO REPRESENTATIONS AS TO THE INFORMATION CONTAINED HEREIN.

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## OFFICIAL STATEMENT CERTIFICATION

The preparation and distribution of this Official Statement has been authorized by the Board. This Official Statement is not to be construed as an agreement or contract between the District and any purchaser, Owner, Beneficial Owner or other holder of any Bond or any interest therein. For purposes of compliance with Rule 15c2-12, this Official Statement constitutes an official statement of the District that has been deemed final by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

**SWEETGRASS METROPOLITAN  
DISTRICT NO. 2**

By /s/ Jon Lee  
President

**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**



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**SWEETGRASS METROPOLITAN DISTRICT NO. 2**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2020**

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Sweetgrass Metropolitan District No. 2  
Dacono, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Sweetgrass Metropolitan District No. 2, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Sweetgrass Metropolitan District No. 2 as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
March 10, 2021



**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2020**

	Governmental Activities
<b>ASSETS</b>	
Unrestricted Cash and Investments	\$ 195
Restricted Cash and Investments	1,929
Due from Other Governments	2,158
Prepaid Expenses	10,915
Property Tax Receivable	628,348
Total Assets	<u>643,545</u>
<b>LIABILITIES</b>	
Due Within the Year:	
Accrued Interest and Non-Use Fees	28,714
Limited Tax Obligation Notes	160,000
Due in More Than One Year:	
Limited Tax Obligation Notes	9,609,000
Subordinate Limited Tax Obligation Bonds	6,435,000
Accrued Interest	1,042,350
Total Liabilities	<u>17,275,064</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	628,348
Total Deferred Inflows of Resources	<u>628,348</u>
<b>NET POSITION</b>	
Restricted for Emergencies	4,457
Unrestricted	<u>(17,264,324)</u>
Total Net Position	<u><u>\$ (17,259,867)</u></u>

See accompanying Notes to Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Expenses	Program Revenue Charges for Services	Net (Expense) Revenue and Changes in Net Position Governmental Activities
<b>Governmental Activities:</b>			
General Government	\$ 363,300	\$ -	\$ (363,300)
Interest and Related Costs on Long-Term Debt	864,296	-	(864,296)
	<u>\$ 1,227,596</u>	<u>\$ -</u>	<u>(1,227,596)</u>
<b>General Revenues:</b>			
Property Taxes			592,075
Specific Ownership Taxes			28,103
Intergovernmental Revenue			29,796
Net Investment Income			130
Total General Revenues			<u>650,104</u>
<b>Change in Net Position</b>			(577,492)
Net Position - Beginning of Year			<u>(16,682,375)</u>
<b>Net Position - End of Year</b>			<u><u>\$ (17,259,867)</u></u>

See accompanying Notes to Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
BALANCE SHEET  
DECEMBER 31, 2020**

	General Fund
<b>ASSETS</b>	
Unrestricted Cash and Investments	\$ 195
Restricted Cash and Investments	1,929
Due from Other Governments	2,158
Prepaid Items	10,915
Property Tax Receivable	<u>628,348</u>
Total Assets	<u><u>\$ 643,545</u></u>
<b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	<u>\$ 628,348</u>
Total Deferred Inflows of Resources	628,348
<b>FUND BALANCE</b>	
Nonspendable	10,915
Restricted for TABOR	4,457
Restricted for Debt Service	1,929
Unassigned	<u>(2,104)</u>
Total Fund Balance	<u>15,197</u>
Total Deferred Inflows of Resources and Fund Balance	<u><u>\$ 643,545</u></u>

See accompanying Notes to Financial Statements.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE BALANCE SHEET OF  
GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

Total Fund Balance - Total Governmental Fund	\$ 15,197
Amounts reported for governmental activities in the statement of net position are different because:	
Accrued interest payable is recognized for governmental activities, therefore, is not reported as a liability in the governmental fund.	(1,071,064)
Some liabilities are not due in the current period and, therefore, are not reported in the fund balance sheet.	
Limited Tax Obligation Notes	(9,769,000)
Subordinate Limited Tax Obligation Bonds	(6,435,000) (16,204,000)
	<hr/>
Net Position of Governmental Activities	<u><u>\$ (17,259,867)</u></u>

*See accompanying Notes to Financial Statements.*

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2020**

	General Fund
<b>REVENUES</b>	
Property Taxes	\$ 592,075
Specific Ownership Taxes	28,103
Net Investment Income	130
Intergovernmental - Metro District No. 1	29,796
Total Revenues	<u>650,104</u>
<b>EXPENDITURES</b>	
Current:	
Intergovernmental - Metro District No. 1	332,865
County Treasurer's Fees	8,882
Audit	9,555
Accounting	6,229
Insurance	2,395
Trustee Fees	2,000
Miscellaneous	1,374
Debt Service:	
Principal	140,000
Interest and Fiscal Charges	329,546
Custodial Fee	3,000
Non-use Fee	25,417
Total Expenditures	<u>861,263</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(211,159)
<b>OTHER FINANCING SOURCES</b>	
Proceeds from Debt Instrument	182,500
Total Other Financing Sources	<u>182,500</u>
<b>NET CHANGES IN FUND BALANCE</b>	(28,659)
Fund Balance - Beginning of Year	<u>43,856</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 15,197</u></u>

See accompanying Notes to Financial Statements.



**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO  
THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balance - Total Governmental Fund	\$ (28,659)
--	-------------

Amounts reported for governmental activities in the statement of activities  
are different because:

The issuance of long-term debt provides current financial resources to the governmental fund, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Debt Proceeds	(182,500)
Payment of Principal	140,000

The change in accrued interest and non-use fees does not have any impact on governmental fund expenditures. This transaction, however, does increase the amount of interest expense and non-use fees on the statement of activities.

Accrued Interest	(504,250)
Non-Use Fees	(2,083)

Change in Net Position of Governmental Activities	\$ <u>(577,492)</u>
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**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 1    DEFINITION OF REPORTING ENTITY**

Sweetgrass Metropolitan District No. 2 (the District) is a quasi-municipal corporation located within the city limits of Dacono, Colorado (Dacono) created by election in November 2001. The District and Dacono have entered into an Intergovernmental Agreement as required by the Dacono Code, which implemented the District Service Plan and limited certain District statutory powers. The District is governed pursuant to provisions of the Colorado Special District Act to finance construction, operation and maintenance of the facilities located within the Sweetgrass Metropolitan Districts No. 1, No. 2, and No. 3.

Sweetgrass Metropolitan District No. 1 (District No. 1) was organized concurrently with Sweetgrass Metropolitan District No. 2 and Sweetgrass Metropolitan District No. 3 (District No. 3). District No. 1 has the power to provide water, sanitation, storm drainage, streets, traffic and safety controls, and park and recreation improvements and other related improvements for the benefit of taxpayers and service users within the Districts' boundaries. The Service Plan requires District No. 1 to convey the constructed improvements to Dacono or the HOA for ownership and maintenance.

Sweetgrass Metropolitan District No. 1 is intended to serve as the "operating district" while Sweetgrass Metropolitan Districts No. 2 and No. 3 are intended to serve as the "financing districts". The operating district is responsible for providing the day-to-day operations and administrative management of all three of the Districts. The operating district is economically dependent upon intergovernmental revenue received from the financing districts.

The District has no employees and all services are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including District No. 1, District No. 3, and Dacono.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-Wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. Governmental activities are normally supported by taxes.

The statement of net position reports all financial resources of the District. The difference between the assets, liabilities and deferred outflows and inflows of resources of the District is reported as net position.

The District is responsible for the repayment of bonds issued for the purpose of constructing infrastructure improvements which will be conveyed to Dacono or the HOA. The funds generated through the issuance of the bonds have been transferred to District No. 1 for that purpose. Consequently, a deficit balance is reflected on the District's statement of net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, including non-use fees, are recorded only when payment is due.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The adopted budgets for the General Fund and Debt Service fund have been consolidated and reflected as the General Fund Budget for financial reporting purposes.

**Property Taxes**

Property taxes are levied by the District's 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 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. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally, sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes are recorded initially as deferred inflows of resources in the year they are levied and measurable. The property tax revenue is recorded as revenue in the year they are available or collected.

**Fund Balance and Net Position**

Net position is reported in the governmental activities and is classified as restricted or unrestricted. Restrictions of net position represent amounts that are not available for appropriation or are legally restricted. As of December 31, 2020, fund balances of governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are not spendable in form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance and Net Position (Continued)**

Committed – amounts that are subject to a purpose constraint imposed by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board.

Assigned – amounts that are subject to a purpose constraint that represents an intended use established by the District in its budget process. The purpose of the assignment must be narrower than the purpose of the General Fund.

Unassigned – represents the residual classification for the District's General Fund and could report a surplus or deficit.

**Restricted Fund Balance**

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 9). \$4,457 of the General Fund balance has been reserved in compliance with this requirement. The District's order of fund balance spending policy is to apply expenditures against restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The District reserves the right to selectively spend unassigned fund balance.

In 2020, the District reported fund balance restricted for debt service of \$1,929.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments reflected on the statement of net position as of December 31, 2020 consist of the following:

Unrestricted Cash Deposits	\$ 195
Restricted Investments	1,929
Total Cash	<u><u>\$ 2,124</u></u>

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The fair value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District's cash deposits had a carrying balance of \$195.



**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Investments**

The District has not adopted a formal investment policy; however, it follows state statutes regarding investments. The District also follows investment policies in bond or note agreements when those agreements are more restrictive than state statutes. The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities and World Bank securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds \*
- Guaranteed investment contracts
- Local government investment pools
- Certain reverse repurchase agreements
- Certain corporate bonds
- Certain securities lending agreements

Colorado revised statutes limit investment maturities to five years or less depending on the specific investment held unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local government, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less. As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amortized Cost</u>
*Money Market Fund - Fidelity Treasury	Less than One Year	<u>\$ 1,929</u>

As of December 31, 2020, the District had \$1,929 invested in Fidelity Treasury Money Market Funds. The investment is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 4 LONG-TERM OBLIGATIONS**

The District's long-term obligations consist of the following for the year ended December 31, 2020:

	Balance at January 1, 2020	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
General Obligation					
Limited Tax Notes:					
Series 2018A	\$ 9,909,000	\$ -	\$ 140,000	\$ 9,769,000	\$ 160,000
Subordinate Limited Tax					
Bond - Series 2018C	6,252,500	182,500	-	6,435,000	-
Total Long-Term Obligations	<u>\$ 16,161,500</u>	<u>\$ 182,500</u>	<u>\$ 140,000</u>	<u>\$ 16,204,000</u>	<u>\$ 160,000</u>

**Series 2018A Note**

The District issued the 2018A Limited Tax General Obligation Note on June 29, 2018 in the amount of \$10,000,000. The proceeds of such debt were used to refund all of the amounts due on the District's General Obligation Limited Tax Bonds, Series 2016; refund, pay and discharge all remaining amounts due on the Series 2005 Note in District No. 1; pay for a portion of the Public Improvements; repay or reimburse a portion of the amounts owed under the Capital Costs Agreement; and pay costs of issuance on the Note. The District does not have optional prepayment of principal until the fifth anniversary through the sixth anniversary of the date of the Note. A prepayment fee of 1% will be added to the principal balance if prepayment occurs after the fifth anniversary but before the sixth anniversary date. No prepayment fee is incurred if prepayment occurs after the sixth anniversary date of the Note. On November 25, 2028, and each ten-year anniversary until the maturity date, the interest rate will reset to the Bank Qualified Tax-Exempt Rate on the reset date. The Interest rate was 3.271% at December 31, 2020 computed on the basis of a 360-day year and actual days elapsed beginning on the commencement date. Interest payments are due June 1 and December 1 of each year. The District paid \$329,546 of interest and incurred \$329,162 in interest expense for the year ended December 31, 2020.

As part of the 2018A Note agreement, the District may issue 2018B Note by authorizing and executing the 2018B Loan Agreement in an amount not to exceed \$10,000,000. The 2018B Loan will be considered parity debt with the 2018A Note. As of December 31, 2020, the District has executed the 2018B Loan Agreement but has not drawn on the loan. The District paid \$25,417 of non-use fees and incurred \$27,500 in non-use fees on the unfunded balance for the year ended December 31, 2020.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

The following summarizes the debt services requirements to maturity for the 2018A Note:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 160,000	\$ 324,002	\$ 484,002
2022	170,000	318,695	488,695
2023	180,000	313,057	493,057
2024	190,000	307,928	497,928
2025	210,000	300,785	510,785
2026-2030	1,060,000	1,397,894	2,457,894
2031-2035	1,420,000	1,207,112	2,627,112
2036-2040	2,050,000	931,828	2,981,828
2041-2045	2,620,000	549,323	3,169,323
2046-2048	1,709,000	104,417	1,813,417
Total	<u>\$ 9,769,000</u>	<u>\$ 5,755,041</u>	<u>\$ 15,524,041</u>

**Series 2018C Bonds**

The District issued the 2018C Subordinate Limited Tax General Obligation Bonds on December 4, 2018 for an amount not to exceed \$11,000,000. The proceeds of such debt were used for project costs and costs of issuing the Bonds. The Bonds are subordinate to the repayment of the Series 2018A and 2018B Note. The District drew down \$6,252,500 of principal on the date of issuance. The Bonds are subject to redemption prior to maturity at the option of the District as well as mandatory redemption for excess funds in the Subordinate Bond Fund to be first applied to interest then principal as a whole or in denominations of \$1,000. The Bonds will mature on December 1, 2048 and bear interest at a rate of 8% calculated based on a 360-day year payable solely and to the extent of Subordinate Pledged Revenue. Interest payments are due on December 15 of each year beginning on December 15, 2019. During 2020, there were four additional draws on the 2018C Bonds throughout the year, totaling \$182,500. The outstanding balance on the 2018C Bonds at year end is \$6,435,000. The District incurred \$504,635 in interest expense for the year ended December 31, 2020.

The following summarizes the debt services requirements to maturity for the 2018C Bonds:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 514,800	\$ 514,800
2022	-	514,800	514,800
2023	-	514,800	514,800
2024	-	514,800	514,800
2025	-	514,800	514,800
2026-2030	-	2,574,000	2,574,000
2031-2035	-	2,574,000	2,574,000
2036-2040	-	2,574,000	2,574,000
2041-2045	-	2,574,000	2,574,000
2046-2048	6,435,000	1,522,950	7,957,950
Total	<u>\$ 6,435,000</u>	<u>\$ 14,392,950</u>	<u>\$ 20,827,950</u>

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)**

**Debt Authorization**

The District voters approved \$164,000,000 of revenue obligation debt in 2005 at an interest rate not to exceed 18% per annum. At December 31, 2020, the District had \$147,796,000 in authorized but unissued debt. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**NOTE 5 RELATED PARTY**

Three members of the Board of Directors are employees or are associated with Bellock Construction Company, construction manager and accountants for the District, Dacono Properties LLC and Dacono Development Company, Inc., the developers within the District. During 2020, Districts No. 1, No. 2, and No. 3 had the same Board of Directors (see Note 6).

**Accounting Services Agreement**

An accounting services contract was entered into with Bellock Construction Company during 2002. This agreement was subsequently amended on March 25, 2004. Under this amended agreement, accounting services are provided to the District at the annual hourly rates of Bellock Construction Company employees. During 2020, the District incurred accounting services fees in the amount of \$6,229.

**NOTE 6 DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT  
(SERVICE CONTRACT)**

In order to implement the Service Plan, District No. 1 approved an intergovernmental agreement with the District and District No. 3. The agreement shall remain in full force and effect until such time as each of the terms and conditions have been performed in their entirety or until the agreement is terminated by mutual written agreement by the Districts.

District No. 1 is to construct the facilities benefiting the three Districts and transfer them to Dacono or the HOA. The District and District No. 3 will, to the extent that they are to benefit, pay the capital costs and the service costs of operation and maintenance of such facilities.

The District and District No. 3 are required to fund, on an annual basis, the amount of actual service costs that each District would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the Districts disagree as to the amount to be paid, then the District and District No. 3 must pay District No. 1 the amount set forth in the annual budget. During fiscal year 2017, the Colorado legislature reduced the residential assessment ratio from 7.96% to 7.20% causing the property tax mill rate for general obligation bonds and service costs to increase from 50 mills to 55.275 mills. The residential assessment ratio decreased to 7.15% in 2019 causing the mills to increase to 55.663 for taxes to be collected in 2020. During fiscal year 2020, the Gallagher Amendment was repealed. The residential assessment ratio will remain at 7.15%.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 7 INTERGOVERNMENTAL REVENUES AND EXPENDITURES**

The following intergovernmental revenue and expenses occurred during fiscal year ended December 31, 2020:

	Sweetgrass Metropolitan District No. 1	Sweetgrass Metropolitan District No. 2	Sweetgrass Metropolitan District No. 3	Total Revenues
Sweetgrass Metropolitan:				
District No. 1	\$ -	\$ 332,865	\$ 165,800	\$ 498,665
District No. 2	29,796	-	-	29,796
District No. 3	6,941	-	-	6,941
Total Expenditures	<u>\$ 36,737</u>	<u>\$ 332,865</u>	<u>\$ 165,800</u>	<u>\$ 535,402</u>

**NOTE 8 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2020. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage during the past three years.

The District pays annual premiums to the Pool for liability and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.



**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2020**

**NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 5, 2005, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue without regard to any limitations under TABOR.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED DECEMBER 31, 2020**

	Original & Final Budgeted Amounts	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 592,077	\$ 592,075	\$ (2)
Specific Ownership Taxes	39,965	28,103	(11,862)
Net Investment Income	-	130	130
Intergovernmental - Metro District No. 1	22,300	29,796	7,496
Total Revenues	<u>654,342</u>	<u>650,104</u>	<u>(4,238)</u>
<b>EXPENDITURES</b>			
Current:			
Intergovernmental - Metro District No. 1	-	332,865	(332,865)
County Treasurer's Fees	8,881	8,882	(1)
Audit	9,500	9,555	(55)
Accounting	-	6,229	(6,229)
Insurance	2,800	2,395	405
Trustee Fees	5,000	2,000	3,000
Miscellaneous	10,000	1,374	8,626
Debt Service:			
Principal	1,560,602	140,000	1,420,602
Interest and Fiscal Charges	916,785	329,546	587,239
Custodial Fee	-	3,000	(3,000)
Non-use fee	21,139	25,417	(4,278)
Loan Origination Fees	20,000	-	20,000
Total Expenditures	<u>2,554,707</u>	<u>861,263</u>	<u>1,693,444</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,900,365)</u>	<u>(211,159)</u>	<u>1,689,206</u>
<b>OTHER FINANCING SOURCES</b>			
Proceeds from Debt Instrument	2,000,000	182,500	(1,817,500)
Total Other Financing Sources	<u>2,000,000</u>	<u>182,500</u>	<u>(1,817,500)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<u>99,635</u>	<u>(28,659)</u>	<u>(128,294)</u>
Fund Balances - Beginning of Year	<u>33,150</u>	<u>43,856</u>	<u>10,706</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 132,785</u>	<u>\$ 15,197</u>	<u>\$ (117,588)</u>

**APPENDIX B**  
**FINANCIAL FORECAST**

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**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**IN THE CITY OF DAcono, WELD COUNTY, COLORADO**

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**FORECASTED SURPLUS CASH BALANCES AND**  
**CASH RECEIPTS AND DISBURSEMENTS**

**FOR THE YEARS ENDING**  
**DECEMBER 31, 2022 THROUGH 2049**

June 7, 2022

Board of Directors  
Sweetgrass Metropolitan District No. 2  
Weld, Colorado

Management (as defined herein) is responsible for the accompanying forecast of surplus cash balances, cash receipts and disbursements of the Sweetgrass Metropolitan District No. 2 (herein referred to as the "District") for the years ending December 31, 2022 through 2049, and the related summaries of significant assumptions and accounting policies. Such forecast was prepared in accordance with guidelines for the presentation of a financial forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with the Statements on Standards for Accounting and Review Services Committee of the AICPA. We did not examine or review the financial 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 this forecast.

The accompanying presentation of projected surplus cash balances and cash receipts and disbursements for the years ending December 31, 2022 through 2049 under the hypothetical assumptions described in Note 9 are presented as an alternative to the forecast and are not part of the forecast. The projections are provided for additional analysis only and should not be used for any other purpose. We express no assurance of any kind on the projections.

The forecasted results may not be achieved as there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

*Causey Demgen & Moore P.C.*

## **Sweetgrass Metropolitan District No. 2**

### **Summary of Significant Assumptions and Accounting Policies**

#### **NOTE 1**

**Purpose and limitations of forecast:** The following forecast is based on information provided by representatives of the Board of Directors of the District (collectively referred to herein as “Management”). The forecast was prepared for the purpose of showing the amount of funds available to pay the debt service requirements of the District’s General Obligation Limited Tax Refunding Bonds, Series 2022A (herein referred to as the “2022A Senior Bonds”) and its Subordinate General Obligation Limited Tax Refunding Bonds, Series 2022B (herein referred to as the “2022B Subordinate Bonds” and collectively with the 2022A Senior Bonds, the “Bonds”) to be issued by the District. The Bonds will be secured by and payable from monies derived by the District from ad valorem property taxes more specifically described in Note 3 below. The forecast displays how the proposed Bonds will be repaid from forecasted cash receipts and disbursements. The forecast presents, to the best of Management’s knowledge and belief, the expected cash receipts and disbursements for the forecast period for the Debt Service Fund of the District. Accordingly, the forecast reflects Management’s judgement as of June 7, 2022 of the expected conditions within the District and the District’s expected course of action.

The assumptions disclosed herein are those that Management believes are significant to the forecast, however, they are not all-inclusive. There will usually be differences between forecasted and actual results because circumstances and events frequently do not occur as planned and those differences may be material. Certain assumptions relating to the market values of property, the development schedule for properties and the rate of inflation for property values are particularly sensitive. A small variation in these assumptions could have a large effect on the forecasted results and there is a high probability that the forecasted assessed values derived from these assumptions will differ from the actual future assessed values.

The spread of the coronavirus disease 2019 (“COVID-19”) is currently altering the behavior of businesses and people in a manner that is having significant negative effects on global, national, and local economies. With regards specifically to the District, the full impact of COVID-19 on future development and growth in assessed valuations and collection of taxes as presented in this forecast is unknown.

The forecast assumes all construction of residential units in the Development to be completed on a timeline which was provided by Management. The market values of residential properties are based on the average sales price of the properties completed and sold in calendar year 2020 (approximately \$650,000 per property) and inflated at 3.0% compounded annually starting in 2021 through the end of the build out period in 2023. The market value for each property is multiplied by the number of residential units completed during the year to determine the market value of property at completion. Such cumulative market values of developed properties are assumed to increase at a rate of 6.00% biennially for residential property pursuant to biennial reassessment of property required by State statute. The assumed biennial adjustment rate for residential property is based on an annual inflation forecast provided in the Inflation Report (as defined herein). The forecast includes an adjustment to the value of unfinished land in 2022 (for collection in 2023) to remove the estimated value of land allocable to the Excluded Property described in Note 2, and subsequent annual adjustments thereafter so as to bring the cumulative value of unfinished land to zero at the end of the build out period.

**Sweetgrass Metropolitan District No. 2**  
**Summary of Significant Assumptions and Accounting Policies**

**NOTE 2**

**The District Service Plan and The Development:** The District is a special district formed pursuant to Title 32, Article 1, Colorado Revised Statutes, formed pursuant to an Order and Decree entered by the District Court for Weld County, Colorado (herein referred to as the “County”) on July 10, 2002. The District was organized contemporaneously with Sweetgrass Metropolitan District No. 1 (herein referred to as “District No. 1”) and Sweetgrass Metropolitan District No. 3 (herein referred to as “District No. 3” and, collectively with the District and District No. 1, the “Sweetgrass Districts”). The Sweetgrass Districts are authorized to furnish certain public facilities and services in accordance with the Consolidated Service Plan for the Sweetgrass Districts, approved by the City Council of the City of Dacono, Colorado (herein referred to as the “City”) on September 24, 2001 and amended by the Amended and Restated Consolidated Service Plan for the Sweetgrass Districts on November 19, 2021 (as further amended or restated from time to time, herein referred to as the “Service Plan”). Only the property within the District is subject to pay debt service on the Bonds. The property within District Nos. 1 and 3 is not subject to taxation to pay debt service on the Bonds or otherwise obligated in any manner to pay the Bonds.

The Sweetgrass Districts were formed for the purpose of financing public improvements related to the development of a mixed-use community known as Sweetgrass (herein referred to as the “Development”). The boundaries of the District encompass approximately 413 acres, however prior to the issuance of the Bonds, a portion of the property in the District (consisting of approximately 277 acres) (herein referred to as the “Excluded Property”) will be excluded therefrom and included into District No. 1. At full buildout, the Development is anticipated to include approximately 1,800 residential units and approximately 50 acres of commercial and/or industrial development. After the removal of the Excluded Property, the portion of the Development within the District is anticipated to include approximately 365 single-family detached homes, of which 359 lots have been developed and are occupied. The 2021 assessed valuation of taxable property in the District, as certified by the Weld County Assessor (the “County Assessor”) for collection of ad valorem property taxes in 2022, is \$11,727,250. However, such figure includes the Excluded Property, which will not be subject to pay debt service on the Bonds. After removal of land value associated with the Excluded Property<sup>1</sup>, the forecast includes an assessed value of taxable property in the District for calendar year 2022 (to be collected in 2023) of \$11,411,570.

**NOTE 3**

**Ad Valorem Taxes:** The primary source of revenue pledged for payment of debt service is the collection of ad valorem property taxes and specific ownership taxes. Specifically, the Bonds are secured by the Senior Pledged Revenue and the Subordinate Pledged Revenue, each as described in the Indentures (as defined herein) comprised of, generally, (i) the Senior Required Mill Levy of (a) an amount not in excess of 53.663 mill through December 2024, and then not in excess of 51.663 mills (adjusted for changes occurring in the method of calculating assessed valuation as described below) and the Subordinate Required Mill Levy of (b) an amount not in excess of 53.663 mill through December 2024, and then not in excess of 51.663 mills (adjusted for changes occurring in

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<sup>1</sup> The approximate 2021 actual value of the Excluded Property is \$1,349,000

## **Sweetgrass Metropolitan District No. 2**

### **Summary of Significant Assumptions and Accounting Policies**

the method of calculating assessed valuation as described below), less the Senior Required Mill Levy; and (ii) the specific ownership taxes allocable to the debt service mill levy. Taxes are levied by the District's Board of Directors. The levy is based upon assessed values of property as determined by the County Assessor. Property absorbed is assumed to be assessed on January 1<sup>st</sup> following the year it is absorbed and the forecast recognizes the related property taxes as revenue in the subsequent year (i.e. property absorbed in 2021 is assumed to be assessed in 2022 with the related tax revenue collected in 2023).

The Service Plan permits the Sweetgrass Districts to impose a maximum levy of 48 mills through December 2024, then 46 mills for debt service, subject to adjustment for changes occurring in the method of calculating assessed valuation after January 1, 2001 as more particularly provided in the Service Plan. For collection year 2022, the District has certified the mill levy for debt service to be 55.663 mills. The forecast assumes a mill levy of 53.663 will be imposed for collection years 2023 and 2024 and the minimum required mill levy of 51.663 will be imposed for collection year 2025 and the remainder of the forecast period. Pursuant to the Service Plan, the District's mill levy for debt service can only be imposed through collection year 2049.

On November 3, 2020, a majority of voters in the State of Colorado approved Colorado Amendment B – Gallagher Amendment Repeal and Property Tax Assessment Rates (herein referred to as “Amendment B”) which repealed the Gallagher Amendment to the State Constitution. The Gallagher Amendment had previously required that statewide residential assessed values must be approximately 45% of total assessed values. To comply with the Gallagher Amendment, the Colorado State General Assembly would adjust the residential assessment rate on a biennial basis so as to keep the statewide residential assessed value at the required ratio. As a result of the passage of Amendment B, the General Assembly is no longer required to establish residential assessment rates based on the formula expressed in the Gallagher Amendment. Further, pursuant to Senate Bill 21-293 (“SB 293”) adopted by the Colorado General Assembly and signed by the Governor on June 23, 2021, a new subclass of residential property has been created consisting of multi-family residential property that is a duplex, triplex, or multi-structure of four or more units. In accordance with SB 293, the assessment rate for all residential real property other than multi-family residential real property will be temporarily reduced from 7.15% to 6.95% for levy years 2022 and 2023, and then indefinitely return to 7.15% in levy year 2024. There is no assurance that the assessment rates for residential property will not increase or decrease during the forecast period.

To avoid an increase or decrease in tax revenues resulting from a change in the method of calculating assessed valuations, the Service Plan allows the District to adjust the mill levy for changes in the method of calculating assessed valuation. The forecast includes the residential assessment ratio of 7.15% throughout the forecast period since in the event the residential assessment rate changes in the future, Management will increase or decrease the mill levy as required by the Indenture and authorized under the Service Plan so that the actual tax revenues generated by the mill levies, as adjusted, are neither diminished or enhanced.

Specific ownership taxes (herein referred to as “Specific Ownership Taxes”) are set by the State and collected by the County Treasurer, primarily on vehicle registration fees within the County as a whole. The Specific Ownership Taxes are allocated by the County Treasurer to all taxing entities

## **Sweetgrass Metropolitan District No. 2**

### **Summary of Significant Assumptions and Accounting Policies**

within the County. The forecast assumes that the District's share of Specific Ownership Taxes collected will be 7% of calculated collected property taxes for the Debt Service Fund.

Property is assumed to be assessed annually as of January 1<sup>st</sup> and the related tax revenue is assumed to be received in the subsequent year. Thus, the assessed value for collection year 2022 are assumed to be equal to the estimated assessed value for the District for calendar year 2021, minus the assessed value of the Excluded Property.

As described in the Indentures, the Pledged Revenues are net of an O&M Carve-out, which will be an amount equal to \$50,000 beginning in 2022, with such amount increasing by 1% annually thereafter. The annual amounts allocable to the O&M Carve-out are transferred to the District General Fund.

The County Treasurer currently charges a fee for the collection of property taxes. The forecast assumes the revenues from mill levy property taxes will be reduced for the County Treasurer's 1.50% fee. It is assumed an additional 0.05% of taxes will be uncollectable.

#### **NOTE 4**

**Trustee Fees:** The District will pay Trustee fees in the amount of \$4,000 for the 2022A Senior Bonds and \$3,000 for the 2022B Subordinate Bonds beginning in 2022 and annually each year thereafter until the respective Bonds are repaid in full.

#### **NOTE 5**

**Bond Assumptions:** The 2022A Senior Bonds are assumed to be issued on June 16, 2022, in the principal amount of \$8,150,000.00. Concurrently with the issuance of the 2022A Senior Bonds, the District anticipates issuing the 2022B Subordinate Bonds in the principal amount of \$1,175,000.00.

Proceeds of the 2022A Senior Bonds will be used to (i) refund a portion of the amount owed to ZB, N.A. d/b/a Vectra Bank Colorado pursuant to the District's loan agreement dated June 29, 2018 (herein referred to as the "2018A Loan"), (ii) refund a portion of the District's Subordinate Limited Tax General Obligation Bonds, Series 2018C (herein referred to as the "2018C Bonds"); (iii) fund a deposit to the 2022A Senior Bonds debt service reserve fund; (iv) purchasing a bond insurance policy and debt service reserve surety policy, and (v) pay other costs in connection with the issuance of the 2022A Senior Bonds. The net proceeds of the 2022B Subordinate Bonds will be used to (i) pay and discharge a portion of the 2018A Loan, (ii) refund a portion of the 2018C Bonds, and (iii) pay other costs in connection with the issuance of the 2022B Subordinate Bonds.

The 2022A Senior Bonds are secured by the ad valorem taxes and fees described in Note 3, as well as a debt service reserve fund and a surplus fund to be established in connection with the issuance of the 2022A Senior Bonds. The debt service reserve fund in an amount of approximately \$293,800, will be funded from proceeds of the 2022A Senior Bonds. The surplus fund will not be funded with proceeds of the Bonds but will be funded over time from excess pledged revenues, if any, up to a maximum amount of \$293,800 (herein referred to as the "Maximum Surplus Amount"). The 2022A Senior Bonds are assumed to bear interest at rates of 5.00% to 4.00% per annum from the issuance date until December 1, 2048, which is the scheduled final maturity date of the 2022A



## **Sweetgrass Metropolitan District No. 2**

### **Summary of Significant Assumptions and Accounting Policies**

Senior Bonds. Interest is payable semi-annually on June 1 and December 1 (each herein referred to as a “Senior Interest Payment Date”) beginning on December 1, 2022. Annual payments of principal are due on December 1 of each year beginning December 1, 2022 until the 2022A Senior Bonds are repaid in full. The 2022A Senior Bonds are subject to prepayment at 100% of par value beginning on December 1, 2032. The forecast assumes no such prepayment to occur. To the extent any interest payment on the 2022A Senior Bonds is not paid when due, such unpaid interest will compound semiannually on each Senior Interest Payment Date at the rate then borne by the 2022A Senior Bonds.

The Series 2022B Subordinate Bonds are assumed to bear interest at a rate of 7.50% per annum from the issuance date until the 2022B Subordinate Bonds are repaid in full. Interest is payable annually on each December 15, (each herein referred to as a “Subordinate Interest Payment Date”) beginning December 15, 2022. Interest on the 2022B Subordinate Bonds is payable on each Subordinate Interest Payment Date to the extent of any available pledged revenue. To the extent any interest payment on the 2022B Subordinate Bonds is not paid when due, such unpaid interest will compound annually on each Subordinate Interest Payment Date. The 2022B Subordinate Bonds are structured as “cash flow” bonds, meaning there are no regularly scheduled principal payments due on the 2022B Subordinate Bonds prior to their scheduled maturity date, but rather the 2022B Subordinate Bonds are subject to mandatory redemption on December 15 of each year, commencing December 15, 2022, to the extent of available pledged revenues. The 2022B Subordinate Bonds are subject to optional redemption at 103% of par value beginning December 15, 2027. The forecast assumes no such optional redemption to occur. The final discharge date for the 2022B Subordinate Bonds is December 31, 2049.

The 2022A Senior Bonds are secured by the Pledged Revenues pursuant to that certain Trust Indenture dated as of June 1, 2022 (herein referred to as the “Senior Indenture”) between the District and UMB Bank, N.A., as trustee. The 2022B Subordinate Bonds are being issued pursuant to that certain Trust Indenture (Subordinate) dated as of June 1, 2022 by and between the District and UMB Bank, N.A., as trustee (herein referred to as the “Subordinate Indenture” and collectively with the Senior Indenture as the “Indentures”). The Subordinate Bonds constitute “Subordinate Bonds” as defined under the Indentures. Accordingly, to the extent any revenues are pledged under the Indentures to both the 2022A Senior Bonds and the 2022B Subordinate Bonds, the lien of the 2022B Subordinate Bonds is junior and subordinate in all respects to the lien of the 2022A Senior Bonds and any other bonds issued hereafter under the Senior Indenture. Users of this forecast are encouraged to read the Indentures in conjunction with such use.

#### **NOTE 6**

**Inflation Report:** The District retained King & Associates, Inc. to provide an independent study and projection of residential value appreciation (herein referred to as the “Inflation Report”) for the District. King & Associates projects that the actual value of homes in the District will appreciate at an annual rate of 3.0% during the forecast period. The assumptions of biennial reassessment rates used in the forecast are consistent with the assumptions presented in the Inflation Report and such assumed biennial reassessment rates are integral to this forecast. Users of this forecast are encouraged to read the Inflation Report in conjunction with such use.

**Sweetgrass Metropolitan District No. 2**  
**Summary of Significant Assumptions and Accounting Policies**

**NOTE 7**

**Operating Costs:** Operating costs are assumed to be paid from the O&M Carve-Out described in Note 3. Operating costs are transferred to the District General Fund. Any additional funds required for operations within the District and maintenance are not reflected in this forecast.

**NOTE 8**

**Interest Earnings:** The forecast assumes interest earnings at a rate of 2.00% per annum on the balances of the debt service reserve fund and Surplus Fund. The forecast assumes no interest income earnings on other fund balances.

**NOTE 9**

**Hypothetical Alternative Scenario A:** Under Alternative A, the projection assumes a reduced biennial reassessment rate of 2%. The absorption schedule for property in the Development is unchanged from the forecast absorption schedule. The debt service fund reflects less pledged revenues available to pay the Bonds. The 2022A Senior Bonds are repaid on their scheduled maturity date. The 2022B Subordinate Bonds are projected to be paid in full on December 15, 2044. The projected cash flows under Alternative Scenario A are presented in Exhibits B through B-5 attached hereto.

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DACONO, WELD COUNTY, COLORADO)**

**FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS  
FOR GENERAL FUND AND DEBT SERVICE FUND ONLY  
FOR CALENDAR YEARS ENDING 2022 THROUGH 2049**

**SUMMARY OF DEBT SERVICE FUND ACTIVITY**

Collection Year	Assessed Valuation (Exhibit A-1)	Cash Receipts					Cash Disbursements							Cash Balances		Senior Debt Service Coverage
		Residential	Annual Trustee Fee \$ 7,000	O & M	Surplus	Net Revenue Receipts	2018A Debt Payment	Net	Surplus Fund		Cash	Subordinate	Total Disbursements	Annual	Cumulative	
		Net Tax Revenue (Exhibit A-1)		Carveout	Fund			Senior Bonds	Transfers	Cumulative	Available for	Bonds Debt		Surplus	Cumulative	
					Earnings			Debt Service	to (from)	Fund	Subordinate	Service		(Deficit)	Surplus	
									Surplus	Balance	Debt	(Exhibit A-5)		(Deficit)	Cash Balance	
2022	\$11,725,120	\$685,108	(\$7,000)	(\$50,000)		\$628,108	\$160,656	\$381,757	\$85,695	\$85,695			\$628,108			164.5%
2023	11,411,570	642,829	(7,000)	(50,500)	\$1,714	587,043		461,924	125,119	210,814			587,043			127.1%
2024	12,172,269	685,680	(7,000)	(51,005)	4,216	631,891		480,924	82,986	293,800	\$67,981	\$67,981	631,891			131.4%
2025	12,186,258	686,469	(7,000)	(51,515)	5,876	633,830		478,674	-	293,800	155,156	155,156	633,830			132.4%
2026	12,844,426	696,578	(7,000)	(52,030)	5,876	643,424		466,174	-	293,800	177,250	177,250	643,424			138.0%
2027	12,844,426	696,578	(7,000)	(52,551)	5,876	642,904		463,924	-	293,800	178,980	178,471	642,395	\$508	\$508	138.6%
2028	13,594,958	737,280	(7,000)	(53,076)	5,876	683,080		476,424	-	293,800	206,656	206,775	683,199	(119)	390	143.4%
2029	13,594,958	737,280	(7,000)	(53,607)	5,876	682,549		477,924	-	293,800	204,625	204,550	682,474	75	465	142.8%
2030	14,390,521	780,426	(7,000)	(54,143)	5,876	725,159		483,924	-	293,800	241,235	240,800	724,724	435	900	149.8%
2031	14,390,521	780,426	(7,000)	(54,684)	5,876	724,617		484,174	-	293,800	240,443	240,600	724,774	(157)	743	149.7%
2032	15,233,818	826,160	(7,000)	(55,231)	5,876	769,805		493,924	-	293,800	275,881	276,425	770,349	(544)	199	155.9%
2033	15,233,818	826,160	(7,000)	(55,783)	5,876	769,252		492,674	-	293,800	276,578	276,500	769,174	78	278	156.1%
2034	16,127,713	874,637	(7,000)	(56,341)	5,876	817,172		505,924	-	293,800	311,248	3,225	509,149	308,023	308,300	161.5%
2035	16,127,713	874,637	(4,000)	(56,905)	5,876	819,608		507,924	-	293,800	311,684	-	507,924	311,684	619,985	161.4%
2036	17,075,241	926,023	(4,000)	(57,474)	5,876	870,425		514,174	-	293,800	356,251	-	514,174	356,251	976,236	169.3%
2037	17,075,241	926,023	(4,000)	(58,048)	5,876	869,851		514,424	-	293,800	355,427	-	514,424	355,427	1,331,663	169.1%
2038	18,079,622	980,493	(4,000)	(58,629)	5,876	923,740		528,924	-	293,800	394,816	-	528,924	394,816	1,726,479	174.6%
2039	18,079,622	980,493	(4,000)	(59,215)	5,876	923,154		525,324	-	293,800	397,830	-	525,324	397,830	2,124,308	175.7%
2040	19,144,265	1,038,230	(4,000)	(59,807)	5,876	980,298		536,324	-	293,800	443,974	-	536,324	443,974	2,568,283	182.8%
2041	19,144,265	1,038,230	(4,000)	(60,405)	5,876	979,700		536,324	-	293,800	443,376	-	536,324	443,376	3,011,659	182.7%
2042	20,272,787	1,099,432	(4,000)	(61,010)	5,876	1,040,299		550,724	-	293,800	489,575	-	550,724	489,575	3,501,234	188.9%
2043	20,272,787	1,099,432	(4,000)	(61,620)	5,876	1,039,689		548,924	-	293,800	490,765	-	548,924	490,765	3,991,998	189.4%
2044	21,469,019	1,164,307	(4,000)	(62,236)	5,876	1,103,947		561,524	-	293,800	542,423	-	561,524	542,423	4,534,422	196.6%
2045	21,469,019	1,164,307	(4,000)	(62,858)	5,876	1,103,325		557,924	-	293,800	545,401	-	557,924	545,401	5,079,823	197.8%
2046	22,737,026	1,233,073	(4,000)	(63,487)	5,876	1,171,462		573,724	-	293,800	597,738	-	573,724	597,738	5,677,561	204.2%
2047	22,737,026	1,233,073	(4,000)	(64,122)	5,876	1,170,827		573,124	-	293,800	597,703	-	573,124	597,703	6,275,264	204.3%
2048	24,081,114	1,305,966	(4,000)	(64,763)	5,876	1,243,080		287,924	(293,800)		1,248,956	-	(5,876)	1,248,956	7,524,219	431.7%
2049	24,081,114	1,305,966		(65,410)	-	1,240,556		-			1,240,556	-	-	1,240,556	8,764,775	
\$ 477,596,237		\$ 26,025,297	\$ (147,000)	\$ (1,606,455)	\$ 146,954	\$ 24,418,796	\$ 160,656	\$ 13,465,631	\$ -			\$ 2,027,734	\$ 15,654,020			

This financial information should be read only in connection with the accompanying Summary of Significant Assumptions and Accounting Policies

EXHIBIT A-1

SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DACONO, WELD COUNTY, COLORADO)

FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS  
FOR GENERAL FUND AND DEBT SERVICE FUND ONLY  
FOR CALENDAR YEARS ENDING 2022 THROUGH 2049

SCHEDULE OF ESTIMATED ASSESSED VALUATION - RESIDENTIAL

Collection Year	Market Value of New Units (Exhibit A-3)	Estimated Biennial Valuation Increases 6.00%	Cumulative Market Value of Existing plus New Units	Assessment Ratio 7.15%	Residential Assessed Valuation	Assessed Value of Vacant Land at 29.00% of Market (Exhibit A-2)	Value of State Assessed Vacant Land \$ 335,570	Value of Oil and Gas \$ 147,490	Total Assessed Value	Debt Mill Levy Various	Debt Mill Levy Collections 99.50%	Specific Ownership Taxes 7.00%	County Treasurer Fee 1.50%	Net Tax Revenue
2022	-		\$151,761,678	7.15%	\$10,850,960	\$391,100	\$335,570	\$147,490	\$11,725,120	55.6630	\$649,392	\$45,457	(\$9,741)	\$685,108
2023	-		151,761,678	7.15%	10,850,960	225,040	335,570		11,411,570	53.6630	609,317	42,652	(9,140)	642,829
2024	\$2,758,340	\$9,105,701	163,625,719	7.15%	11,699,239	137,460	335,570		12,172,269	53.6630	649,934	45,495	(9,749)	685,680
2025	1,420,545		165,046,264	7.15%	11,800,808	49,880	335,570		12,186,258	53.6630	650,681	45,548	(9,760)	686,469
2026	-	9,902,776	174,949,040	7.15%	12,508,856	-	335,570		12,844,426	51.6630	660,264	46,218	(9,904)	696,578
2027	-		174,949,040	7.15%	12,508,856	-	335,570		12,844,426	51.6630	660,264	46,218	(9,904)	696,578
2028	-	10,496,942	185,445,982	7.15%	13,259,388	-	335,570		13,594,958	51.6630	698,844	48,919	(10,483)	737,280
2029	-		185,445,982	7.15%	13,259,388	-	335,570		13,594,958	51.6630	698,844	48,919	(10,483)	737,280
2030	-	11,126,759	196,572,741	7.15%	14,054,951	-	335,570		14,390,521	51.6630	739,740	51,782	(11,096)	780,426
2031	-		196,572,741	7.15%	14,054,951	-	335,570		14,390,521	51.6630	739,740	51,782	(11,096)	780,426
2032	-	11,794,364	208,367,105	7.15%	14,898,248	-	335,570		15,233,818	51.6630	783,090	54,816	(11,746)	826,160
2033	-		208,367,105	7.15%	14,898,248	-	335,570		15,233,818	51.6630	783,090	54,816	(11,746)	826,160
2034	-	12,502,026	220,869,131	7.15%	15,792,143	-	335,570		16,127,713	51.6630	829,040	58,033	(12,436)	874,637
2035	-		220,869,131	7.15%	15,792,143	-	335,570		16,127,713	51.6630	829,040	58,033	(12,436)	874,637
2036	-	13,252,148	234,121,279	7.15%	16,739,671	-	335,570		17,075,241	51.6630	877,747	61,442	(13,166)	926,023
2037	-		234,121,279	7.15%	16,739,671	-	335,570		17,075,241	51.6630	877,747	61,442	(13,166)	926,023
2038	-	14,047,277	248,168,556	7.15%	17,744,052	-	335,570		18,079,622	51.6630	929,378	65,056	(13,941)	980,493
2039	-		248,168,556	7.15%	17,744,052	-	335,570		18,079,622	51.6630	929,378	65,056	(13,941)	980,493
2040	-	14,890,113	263,058,669	7.15%	18,808,695	-	335,570		19,144,265	51.6630	984,105	68,887	(14,762)	1,038,230
2041	-		263,058,669	7.15%	18,808,695	-	335,570		19,144,265	51.6630	984,105	68,887	(14,762)	1,038,230
2042	-	15,783,520	278,842,189	7.15%	19,937,217	-	335,570		20,272,787	51.6630	1,042,116	72,948	(15,632)	1,099,432
2043	-		278,842,189	7.15%	19,937,217	-	335,570		20,272,787	51.6630	1,042,116	72,948	(15,632)	1,099,432
2044	-	16,730,531	295,572,720	7.15%	21,133,449	-	335,570		21,469,019	51.6630	1,103,608	77,253	(16,554)	1,164,307
2045	-		295,572,720	7.15%	21,133,449	-	335,570		21,469,019	51.6630	1,103,608	77,253	(16,554)	1,164,307
2046	-	17,734,363	313,307,083	7.15%	22,401,456	-	335,570		22,737,026	51.6630	1,168,790	81,815	(17,532)	1,233,073
2047	-		313,307,083	7.15%	22,401,456	-	335,570		22,737,026	51.6630	1,168,790	81,815	(17,532)	1,233,073
2048	-	18,798,425	332,105,508	7.15%	23,745,544	-	335,570		24,081,114	51.6630	1,237,882	86,652	(18,568)	1,305,966
2049	-		332,105,508	7.15%	23,745,544	-	335,570		24,081,114	51.6630	1,237,882	86,652	(18,568)	1,305,966
	\$ 4,178,885	\$ 176,164,945							-		\$24,668,533	\$1,726,794	(\$370,030)	\$26,025,297

This financial information should be read only in connection with the accompanying Summary of Significant Assumptions and Accounting Policies

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DACONO, WELD COUNTY, COLORADO)**

**FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS  
FOR GENERAL FUND AND DEBT SERVICE FUND ONLY  
FOR CALENDAR YEARS ENDING 2022 THROUGH 2049**

**SCHEDULE OF ESTIMATED ASSESSED VALUATION - RESIDENTIAL VACANT LAND**

Collection Year	Assessed Value of Vacant Land			
	Net Additions to Vacant Land Value (Exhibit A-3)	Adjustments	Cumulative Land Market Value	Cumulative Land Assessed Value at 29.00%
2022		\$1,348,621	\$1,348,621	\$391,100
2023	\$260,000	(832,621)	776,000	225,040
2024	(130,000)	(172,000)	474,000	137,460
2025	(130,000)	(172,000)	172,000	49,880
2026	-	(172,000)	-	-
2027	-	-	-	-
	<u>\$0</u>	<u>\$0</u>		

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SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DAcono, WELD COUNTY, COLORADO)  
  
FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS  
FOR GENERAL FUND AND DEBT SERVICE FUND ONLY  
FOR CALENDAR YEARS ENDING 2022 THROUGH 2049

SCHEDULE OF ESTIMATED MARKET VALUE - RESIDENTIAL DEVELOPMENT

Calendar/ Construction Year	Collection Year	SFR				Totals of New Residential Development			
		Vacant Land Value	10%	Value of Land Moved to Finished Inventory	Market Value per Residence \$ 650,000 3.00%	Market Value of New Units	Total Units Completed	Annual Value of New Units	Additions to Annual Value of Land
2020	2022				\$ 650,000	-	-	-	-
2021	2023	\$260,000			669,500	-	-	-	\$260,000
2022	2024	4	130,000	(\$260,000)	689,585	\$2,758,340	4	\$2,758,340	(130,000)
2023	2025	2	-	(130,000)	710,273	1,420,545	2	1,420,545	(130,000)
2024	2026	-	-	-	731,581	-	-	-	-
		6	\$ 390,000	\$ (390,000)		\$ 4,178,885	6	\$ 4,178,885	\$ -

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**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**(IN THE CITY OF DACONO, WELD COUNTY, COLORADO)**

**FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
**FOR GENERAL FUND AND DEBT SERVICE FUND ONLY**  
**FOR CALENDAR YEARS ENDING 2022 THROUGH 2049**

**SCHEDULE OF ESTIMATED SENIOR BONDS DEBT SERVICE REQUIREMENTS**  
**ASSUMING A SETTLEMENT OF JUNE 16, 2022**

Payment Date	Rate	Payment For		DSRF Adjustments	Total Net Debt Payment	Reoffering Price	Total Production	Principal Outstanding	Annual Net Debt Service
		Principal	Interest						
01-Dec-22	5.00%	\$220,000	\$164,450	(\$2,693)	\$381,757	101.337%	\$222,941	\$7,930,000	\$381,757
01-Jun-23			173,900		173,900			7,930,000	
01-Dec-23	5.00%	120,000	173,900	(5,876)	288,024	103.673%	124,408	7,810,000	461,924
01-Jun-24			170,900		170,900			7,810,000	
01-Dec-24	5.00%	145,000	170,900	(5,876)	310,024	105.531%	153,020	7,665,000	480,924
01-Jun-25			167,275		167,275			7,665,000	
01-Dec-25	5.00%	150,000	167,275	(5,876)	311,399	107.065%	160,598	7,515,000	478,674
01-Jun-26			163,525		163,525			7,515,000	
01-Dec-26	5.00%	145,000	163,525	(5,876)	302,649	108.547%	157,393	7,370,000	466,174
01-Jun-27			159,900		159,900			7,370,000	
01-Dec-27	5.00%	150,000	159,900	(5,876)	304,024	109.577%	164,366	7,220,000	463,924
01-Jun-28			156,150		156,150			7,220,000	
01-Dec-28	5.00%	170,000	156,150	(5,876)	320,274	110.119%	187,202	7,050,000	476,424
01-Jun-29			151,900		151,900			7,050,000	
01-Dec-29	5.00%	180,000	151,900	(5,876)	326,024	110.184%	198,331	6,870,000	477,924
01-Jun-30			147,400		147,400			6,870,000	
01-Dec-30	5.00%	195,000	147,400	(5,876)	336,524	110.590%	215,651	6,675,000	483,924
01-Jun-31			142,525		142,525			6,675,000	
01-Dec-31	5.00%	205,000	142,525	(5,876)	341,649	110.630%	226,792	6,470,000	484,174
01-Jun-32			137,400		137,400			6,470,000	
01-Dec-32	5.00%	225,000	137,400	(5,876)	356,524	110.639%	248,938	6,245,000	493,924
01-Jun-33			131,775		131,775			6,245,000	
01-Dec-33	5.00%	235,000	131,775	(5,876)	360,899	109.731%	257,868	6,010,000	492,674
01-Jun-34			125,900		125,900			6,010,000	
01-Dec-34	5.00%	260,000	125,900	(5,876)	380,024	109.101%	283,663	5,750,000	505,924
01-Jun-35			119,400		119,400			5,750,000	
01-Dec-35	5.00%	275,000	119,400	(5,876)	388,524	108.922%	299,536	5,475,000	507,924
01-Jun-36			112,525		112,525			5,475,000	
01-Dec-36	5.00%	295,000	112,525	(5,876)	401,649	108.833%	321,057	5,180,000	514,174
01-Jun-37			105,150		105,150			5,180,000	
01-Dec-37	5.00%	310,000	105,150	(5,876)	409,274	108.654%	336,827	4,870,000	514,424
01-Jun-38			97,400		97,400			4,870,000	
01-Dec-38	4.00%	340,000	97,400	(5,876)	431,524	95.133%	323,452	4,530,000	528,924
01-Jun-39			90,600		90,600			4,530,000	
01-Dec-39	4.00%	350,000	90,600	(5,876)	434,724	95.133%	332,966	4,180,000	525,324
01-Jun-40			83,600		83,600			4,180,000	
01-Dec-40	4.00%	375,000	83,600	(5,876)	452,724	95.133%	356,749	3,805,000	536,324
01-Jun-41			76,100		76,100			3,805,000	
01-Dec-41	4.00%	390,000	76,100	(5,876)	460,224	95.133%	371,019	3,415,000	536,324
01-Jun-42			68,300		68,300			3,415,000	
01-Dec-42	4.00%	420,000	68,300	(5,876)	482,424	95.133%	399,559	2,995,000	550,724
01-Jun-43			59,900		59,900			2,995,000	
01-Dec-43	4.00%	435,000	59,900	(5,876)	489,024	95.133%	413,829	2,560,000	548,924
01-Jun-44			51,200		51,200			2,560,000	
01-Dec-44	4.00%	465,000	51,200	(5,876)	510,324	95.133%	442,368	2,095,000	561,524
01-Jun-45			41,900		41,900			2,095,000	
01-Dec-45	4.00%	480,000	41,900	(5,876)	516,024	95.133%	456,638	1,615,000	557,924
01-Jun-46			32,300		32,300			1,615,000	
01-Dec-46	4.00%	515,000	32,300	(5,876)	541,424	95.133%	489,935	1,100,000	573,724
01-Jun-47			22,000		22,000			1,100,000	
01-Dec-47	4.00%	535,000	22,000	(5,876)	551,124	95.133%	508,962	565,000	573,124
01-Jun-48			11,300		11,300			565,000	
01-Dec-48	4.00%	565,000	11,300	(299,676)	276,624	95.133%	537,501	0	287,924
		<u>\$ 8,150,000</u>	<u>\$ 5,764,900</u>	<u>\$ (449,269)</u>	<u>\$ 13,465,631</u>		<u>\$ 8,191,566</u>		<u>\$ 13,465,631</u>

This financial information should be read only in connection with the accompanying Summary of Significant Assumptions and Accounting Policies

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DAcono, WELD COUNTY, COLORADO)**

**FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS  
FOR GENERAL FUND AND DEBT SERVICE FUND ONLY  
FOR CALENDAR YEARS ENDING 2022 THROUGH 2049**

**SCHEDULE OF ESTIMATED SUBORDINATE BONDS DEBT SERVICE REQUIREMENTS  
ASSUMING A SETTLEMENT OF JUNE 16, 2022**

Payment Date	Rate	Principal	Accrued Interest	Interest Paid	Cumulative Unpaid Interest	Total Debt Payment	Principal Outstanding	Outstanding Balance
15-Dec-22			\$43,818		\$43,818		\$1,175,000	\$1,175,000
15-Dec-23			91,411		135,229		1,175,000	1,218,818
15-Dec-24			98,267	\$67,981	165,515	\$67,981	1,175,000	1,310,229
15-Dec-25			100,539	155,156	110,897	155,156	1,175,000	1,340,515
15-Dec-26			96,442	177,250	30,090	177,250	1,175,000	1,285,897
15-Dec-27	7.500%	\$58,000	90,382	120,471	-	178,471	1,175,000	1,205,090
15-Dec-28	7.500%	123,000	83,775	83,775	-	206,775	994,000	1,117,000
15-Dec-29	7.500%	130,000	74,550	74,550	-	204,550	864,000	994,000
15-Dec-30	7.500%	176,000	64,800	64,800	-	240,800	688,000	864,000
15-Dec-31	7.500%	189,000	51,600	51,600	-	240,600	499,000	688,000
15-Dec-32	7.500%	239,000	37,425	37,425	-	276,425	260,000	499,000
15-Dec-33	7.500%	257,000	19,500	19,500	-	276,500	3,000	260,000
15-Dec-34	7.500%	3,000	225	225	-	3,225	-	3,000
		<u>\$1,175,000</u>	<u>\$852,734</u>	<u>\$852,734</u>		<u>\$2,027,734</u>		-

This financial information should be read only in connection with the accompanying Summary of Significant Assumptions and Accounting Policies

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DAcono, WELD COUNTY, COLORADO)**

**FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS  
FOR GENERAL FUND AND DEBT SERVICE FUND ONLY  
FOR CALENDAR YEARS ENDING 2022 THROUGH 2049**

**ESTIMATED SOURCES AND USES OF FUND**

	<b>2022A Senior Bonds</b>	<b>2022B Subordinate Bonds</b>	<b>Total</b>
Sources of Funds:			
Par Value of Bonds	\$ 8,150,000	\$ 1,175,000	\$ 9,325,000
Original Issue Premium	41,566		41,566
Contributed Funds	1,359,492.17		1,359,492.17
Total Sources of Funds	<u>\$ 9,551,058.32</u>	<u>\$ 1,175,000.00</u>	<u>\$ 10,726,058.32</u>
Uses of Funds:			
2018B Escrow Fund Deposit	\$ 8,610,050	\$ 1,108,137	\$ 9,718,187
Debt Service Reserve Fund	293,800		293,800
Bond Insurance Premium	222,638		222,638
Surety Premium	10,283		10,283
Underwriter's Discount	104,088	18,862	122,950
Issuance Costs	310,199	48,001	358,200
	<u>\$ 9,551,058.32</u>	<u>\$ 1,175,000.00</u>	<u>\$ 10,726,058.32</u>

This financial information should be read only in connection with the accompanying Summary of Significant Assumptions and Accounting Policies

## **ALTERNATIVE SCENARIO A**

**EXHIBIT B**

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DAcono, WELD COUNTY, COLORADO)**

**FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS  
FOR GENERAL FUND AND DEBT SERVICE FUND ONLY  
FOR CALENDAR YEARS ENDING 2022 THROUGH 2049 -ALTERNATIVE SCENARIO A**

**SUMMARY OF DEBT SERVICE FUND ACTIVITY**

Collection Year	Assessed Valuation (Exhibit B-1)	Cash Receipts					Cash Disbursements								Cash Balances		Senior Debt Service Coverage
		Residential Net Tax Revenue	Annual Trustee Fee	O & M Carveout	Surplus Fund Earnings	Net Revenue	Net Senior Bonds Debt Service	Surplus Fund		Cash	Subordinate	Total Disbursements	Annual Surplus (Deficit)	Cumulative Surplus Cash Balance			
		(Exhibit B-1)	\$ 7,000	\$ 50,000		Receipts	2018A Debt Payment	Transfers to (from) Surplus	Cumulative Fund Balance	Available for Subordinate Debt	Bonds Debt Service (Exhibit B-5)						
2022	\$11,725,120	\$685,108	(\$7,000)	(\$50,000)		\$628,108	\$160,656	\$381,757	\$85,695	\$85,695			\$628,108			164.5%	
2023	11,411,570	642,829	(7,000)	(50,500)	\$1,714	587,043		461,924	125,119	210,814			587,043			127.1%	
2024	11,738,231	661,231	(7,000)	(51,005)	4,216	607,443		480,924	82,986	293,800	\$43,533	\$43,533	607,443			126.3%	
2025	11,752,219	662,018	(7,000)	(51,515)	5,876	609,379		478,674	-	293,800	130,705	130,705	609,379			127.3%	
2026	11,929,675	646,969	(7,000)	(52,030)	5,876	593,815		466,174	-	293,800	127,641	127,641	593,815			127.4%	
2027	11,929,675	646,969	(7,000)	(52,551)	5,876	593,295		463,924	-	293,800	129,371	129,371	593,295			127.9%	
2028	12,161,557	659,545	(7,000)	(53,076)	5,876	605,345		476,424	-	293,800	128,921	128,921	605,345			127.1%	
2029	12,161,557	659,545	(7,000)	(53,607)	5,876	604,815		477,924	-	293,800	126,891	126,891	604,815			126.6%	
2030	12,398,077	672,371	(7,000)	(54,143)	5,876	617,105		483,924	-	293,800	133,181	132,336	616,260	\$844	\$844	127.5%	
2031	12,398,077	672,371	(7,000)	(54,684)	5,876	616,563		484,174	-	293,800	132,389	132,750	616,924	(361)	483	127.3%	
2032	12,639,327	685,455	(7,000)	(55,231)	5,876	629,100		493,924	-	293,800	135,176	135,375	629,299	(199)	284	127.4%	
2033	12,639,327	685,455	(7,000)	(55,783)	5,876	628,548		492,674	-	293,800	135,874	135,550	628,224	324	608	127.6%	
2034	12,885,402	698,801	(7,000)	(56,341)	5,876	641,335		505,924	-	293,800	135,411	135,425	641,349	(14)	594	126.8%	
2035	12,885,402	698,801	(7,000)	(56,905)	5,876	640,772		507,924	-	293,800	132,848	133,000	640,924	(152)	442	126.2%	
2036	13,136,399	712,413	(7,000)	(57,474)	5,876	653,815		514,174	-	293,800	139,641	139,425	653,599	216	658	127.2%	
2037	13,136,399	712,413	(7,000)	(58,048)	5,876	653,240		514,424	-	293,800	138,816	139,025	653,449	(209)	449	127.0%	
2038	13,392,415	726,297	(7,000)	(58,629)	5,876	666,544		528,924	-	293,800	137,620	137,250	666,174	370	819	126.0%	
2039	13,392,415	726,297	(7,000)	(59,215)	5,876	665,957		525,324	-	293,800	140,633	141,175	666,499	(542)	277	126.8%	
2040	13,653,552	740,458	(7,000)	(59,807)	5,876	679,527		536,324	-	293,800	143,203	143,350	679,674	(147)	130	126.7%	
2041	13,653,552	740,458	(7,000)	(60,405)	5,876	678,929		536,324	-	293,800	142,605	141,850	678,174	755	885	126.6%	
2042	13,919,912	754,903	(7,000)	(61,010)	5,876	692,770		550,724	-	293,800	142,046	142,900	693,624	(854)	30	125.8%	
2043	13,919,912	754,903	(7,000)	(61,620)	5,876	692,160		548,924	-	293,800	143,236	142,275	691,199	961	991	126.1%	
2044	14,191,599	769,638	(7,000)	(62,236)	5,876	706,278		561,524	-	293,800	144,754	144,050	705,574	704	1,695	125.8%	
2045	14,191,599	769,638	(4,000)	(62,858)	5,876	708,656		557,924	-	293,800	150,732	-	557,924	150,732	152,427	127.0%	
2046	14,468,719	784,667	(4,000)	(63,487)	5,876	723,056		573,724	-	293,800	149,332	-	573,724	149,332	301,759	126.0%	
2047	14,468,719	784,667	(4,000)	(64,122)	5,876	722,421		573,124	-	293,800	149,297	-	573,124	149,297	451,056	126.0%	
2048	14,751,382	799,996	(4,000)	(64,763)	5,876	737,110		287,924	(293,800)		742,986	-	(5,876)	742,986	1,194,042	256.0%	
2049	14,751,382	799,996		(65,410)	-	734,586		-			734,586	-	-	734,586	1,928,628		
\$ 365,683,172		\$ 19,954,213	\$ (177,000)	\$ (1,606,455)	\$ 146,954	\$ 18,317,712		\$ 13,465,631	\$ -			\$ 2,762,798	\$ 16,389,085				

This financial information should be read only in connection with the accompanying Summary of Significant Assumptions and Accounting Policies

EXHIBIT B-1

SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DACONO, WELD COUNTY, COLORADO)

FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS  
FOR GENERAL FUND AND DEBT SERVICE FUND ONLY  
FOR CALENDAR YEARS ENDING 2022 THROUGH 2049 -ALTERNATIVE SCENARIO A

SCHEDULE OF ESTIMATED ASSESSED VALUATION - RESIDENTIAL

Collection Year	Market Value of New Units (Exhibit B-3)	Estimated Biennial Valuation Increases 2.00%	Cumulative Market Value of Existing plus New Units	Assessment Ratio 7.15%	Residential Assessed Valuation	Assessed Value of Vacant Land at 29.00% of Market (Exhibit B-2)	Value of State Assessed Vacant Land \$ 335,570	Value of Oil and Gas \$ 147,490	Total Assessed Value	Debt Mill Levy Various	Debt Mill Levy Collections 99.50%	Specific Ownership Taxes 7.00%	County Treasurer Fee 1.50%	Net Tax Revenue
2022	-		\$151,761,678	7.15%	\$10,850,960	\$391,100	\$335,570	\$147,490	\$11,725,120	55.6630	\$649,392	\$45,457	(\$9,741)	\$685,108
2023	-		151,761,678	7.15%	10,850,960	225,040	335,570		11,411,570	53.6630	609,317	42,652	(9,140)	642,829
2024	\$2,758,340	\$3,035,234	157,555,252	7.15%	11,265,201	137,460	335,570		11,738,231	53.6630	626,759	43,873	(9,401)	661,231
2025	1,420,545		158,975,797	7.15%	11,366,769	49,880	335,570		11,752,219	53.6630	627,506	43,925	(9,413)	662,018
2026	-	3,179,516	162,155,313	7.15%	11,594,105	-	335,570		11,929,675	51.6630	613,241	42,927	(9,199)	646,969
2027	-		162,155,313	7.15%	11,594,105	-	335,570		11,929,675	51.6630	613,241	42,927	(9,199)	646,969
2028	-	3,243,106	165,398,419	7.15%	11,825,987	-	335,570		12,161,557	51.6630	625,161	43,761	(9,377)	659,545
2029	-		165,398,419	7.15%	11,825,987	-	335,570		12,161,557	51.6630	625,161	43,761	(9,377)	659,545
2030	-	3,307,968	168,706,387	7.15%	12,062,507	-	335,570		12,398,077	51.6630	637,319	44,612	(9,560)	672,371
2031	-		168,706,387	7.15%	12,062,507	-	335,570		12,398,077	51.6630	637,319	44,612	(9,560)	672,371
2032	-	3,374,128	172,080,515	7.15%	12,303,757	-	335,570		12,639,327	51.6630	649,721	45,480	(9,746)	685,455
2033	-		172,080,515	7.15%	12,303,757	-	335,570		12,639,327	51.6630	649,721	45,480	(9,746)	685,455
2034	-	3,441,610	175,522,125	7.15%	12,549,832	-	335,570		12,885,402	51.6630	662,371	46,366	(9,936)	698,801
2035	-		175,522,125	7.15%	12,549,832	-	335,570		12,885,402	51.6630	662,371	46,366	(9,936)	698,801
2036	-	3,510,443	179,032,568	7.15%	12,800,829	-	335,570		13,136,399	51.6630	675,273	47,269	(10,129)	712,413
2037	-		179,032,568	7.15%	12,800,829	-	335,570		13,136,399	51.6630	675,273	47,269	(10,129)	712,413
2038	-	3,580,651	182,613,219	7.15%	13,056,845	-	335,570		13,392,415	51.6630	688,433	48,190	(10,326)	726,297
2039	-		182,613,219	7.15%	13,056,845	-	335,570		13,392,415	51.6630	688,433	48,190	(10,326)	726,297
2040	-	3,652,264	186,265,483	7.15%	13,317,982	-	335,570		13,653,552	51.6630	701,856	49,130	(10,528)	740,458
2041	-		186,265,483	7.15%	13,317,982	-	335,570		13,653,552	51.6630	701,856	49,130	(10,528)	740,458
2042	-	3,725,310	189,990,793	7.15%	13,584,342	-	335,570		13,919,912	51.6630	715,548	50,088	(10,733)	754,903
2043	-		189,990,793	7.15%	13,584,342	-	335,570		13,919,912	51.6630	715,548	50,088	(10,733)	754,903
2044	-	3,799,816	193,790,609	7.15%	13,856,029	-	335,570		14,191,599	51.6630	729,515	51,066	(10,943)	769,638
2045	-		193,790,609	7.15%	13,856,029	-	335,570		14,191,599	51.6630	729,515	51,066	(10,943)	769,638
2046	-	3,875,812	197,666,421	7.15%	14,133,149	-	335,570		14,468,719	51.6630	743,760	52,063	(11,156)	784,667
2047	-		197,666,421	7.15%	14,133,149	-	335,570		14,468,719	51.6630	743,760	52,063	(11,156)	784,667
2048	-	3,953,328	201,619,749	7.15%	14,415,812	-	335,570		14,751,382	51.6630	758,290	53,080	(11,374)	799,996
2049	-		201,619,749	7.15%	14,415,812	-	335,570		14,751,382	51.6630	758,290	53,080	(11,374)	799,996
	\$ 4,178,885	\$ 45,679,186							-		\$18,913,951	\$1,323,971	(\$283,709)	\$19,954,213

This financial information should be read only in connection with the accompanying Summary of Significant Assumptions and Accounting Policies



**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DACONO, WELD COUNTY, COLORADO)**

**FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS  
FOR GENERAL FUND AND DEBT SERVICE FUND ONLY  
FOR CALENDAR YEARS ENDING 2022 THROUGH 2049 -ALTERNATIVE SCENARIO A**

**SCHEDULE OF ESTIMATED ASSESSED VALUATION - RESIDENTIAL VACANT LAND**

Collection Year	Assessed Value of Vacant Land			
	Net Additions to Vacant Land Value (Exhibit B-3)	Adjustments	Cumulative Land Market Value	Cumulative Land Assessed Value at 29.00%
2022		\$1,348,621	\$1,348,621	\$391,100
2023	\$260,000	(832,621)	776,000	225,040
2024	(130,000)	(172,000)	474,000	137,460
2025	(130,000)	(172,000)	172,000	49,880
2026	-	(172,000)	-	-
2027	-	-	-	-
	<u>\$0</u>	<u>\$0</u>		

This financial information should be read only in connection with the accompanying Summary of Significant Assumptions and Accounting Policies

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DAcono, WELD COUNTY, COLORADO)**

**FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS  
FOR GENERAL FUND AND DEBT SERVICE FUND ONLY  
FOR CALENDAR YEARS ENDING 2022 THROUGH 2049 -ALTERNATIVE SCENARIO A**

**SCHEDULE OF ESTIMATED MARKET VALUE - RESIDENTIAL DEVELOPMENT**

Calendar/ Construction Year	Collection Year	SFR					Totals of New Residential Development		
		Units Completed	Vacant Land Value 10%	Value of Land Moved to Finished Inventory	Market Value per Residence \$ 650,000 3.00%	Market Value of New Units	Total Units Completed	Annual Value of New Units	Additions to Annual Value of Land
2020	2022				\$ 650,000	-	-	-	-
2021	2023		\$260,000		669,500	-	-	-	\$260,000
2022	2024	4	130,000	(\$260,000)	689,585	\$2,758,340	4	\$2,758,340	(130,000)
2023	2025	2	-	(130,000)	710,273	1,420,545	2	1,420,545	(130,000)
2024	2026		-	-	731,581	-	-	-	-
		6	\$ 390,000	\$ (390,000)		\$ 4,178,885	6	\$ 4,178,885	\$ -

This financial information should be read only in connection with the accompanying Summary of Significant Assumptions and Accounting Policies

**SWEETGRASS METROPOLITAN DISTRICT NO. 2**  
**(IN THE CITY OF DACONO, WELD COUNTY, COLORADO)**

**FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS**  
**FOR GENERAL FUND AND DEBT SERVICE FUND ONLY**  
**FOR CALENDAR YEARS ENDING 2022 THROUGH 2049 -ALTERNATIVE SCENARIO A**

**SCHEDULE OF ESTIMATED SENIOR BONDS DEBT SERVICE REQUIREMENTS**  
**ASSUMING A SETTLEMENT OF JUNE 16, 2022**

Payment Date	Rate	Payment For		DSRF Adjustments	Total Net Debt Payment	Reoffering Price	Total Production	Principal Outstanding	Annual Net Debt Service
		Principal	Interest						
01-Dec-22	5.00%	\$220,000	\$164,450	(\$2,693)	\$381,757	101.337%	\$222,941	\$7,930,000	\$381,757
01-Jun-23			173,900		173,900			7,930,000	
01-Dec-23	5.00%	120,000	173,900	(5,876)	288,024	103.673%	124,408	7,810,000	461,924
01-Jun-24			170,900		170,900			7,810,000	
01-Dec-24	5.00%	145,000	170,900	(5,876)	310,024	105.531%	153,020	7,665,000	480,924
01-Jun-25			167,275		167,275			7,665,000	
01-Dec-25	5.00%	150,000	167,275	(5,876)	311,399	107.065%	160,598	7,515,000	478,674
01-Jun-26			163,525		163,525			7,515,000	
01-Dec-26	5.00%	145,000	163,525	(5,876)	302,649	108.547%	157,393	7,370,000	466,174
01-Jun-27			159,900		159,900			7,370,000	
01-Dec-27	5.00%	150,000	159,900	(5,876)	304,024	109.577%	164,366	7,220,000	463,924
01-Jun-28			156,150		156,150			7,220,000	
01-Dec-28	5.00%	170,000	156,150	(5,876)	320,274	110.119%	187,202	7,050,000	476,424
01-Jun-29			151,900		151,900			7,050,000	
01-Dec-29	5.00%	180,000	151,900	(5,876)	326,024	110.184%	198,331	6,870,000	477,924
01-Jun-30			147,400		147,400			6,870,000	
01-Dec-30	5.00%	195,000	147,400	(5,876)	336,524	110.590%	215,651	6,675,000	483,924
01-Jun-31			142,525		142,525			6,675,000	
01-Dec-31	5.00%	205,000	142,525	(5,876)	341,649	110.630%	226,792	6,470,000	484,174
01-Jun-32			137,400		137,400			6,470,000	
01-Dec-32	5.00%	225,000	137,400	(5,876)	356,524	110.639%	248,938	6,245,000	493,924
01-Jun-33			131,775		131,775			6,245,000	
01-Dec-33	5.00%	235,000	131,775	(5,876)	360,899	109.731%	257,868	6,010,000	492,674
01-Jun-34			125,900		125,900			6,010,000	
01-Dec-34	5.00%	260,000	125,900	(5,876)	380,024	109.101%	283,663	5,750,000	505,924
01-Jun-35			119,400		119,400			5,750,000	
01-Dec-35	5.00%	275,000	119,400	(5,876)	388,524	108.922%	299,536	5,475,000	507,924
01-Jun-36			112,525		112,525			5,475,000	
01-Dec-36	5.00%	295,000	112,525	(5,876)	401,649	108.833%	321,057	5,180,000	514,174
01-Jun-37			105,150		105,150			5,180,000	
01-Dec-37	5.00%	310,000	105,150	(5,876)	409,274	108.654%	336,827	4,870,000	514,424
01-Jun-38			97,400		97,400			4,870,000	
01-Dec-38	4.00%	340,000	97,400	(5,876)	431,524	95.133%	323,452	4,530,000	528,924
01-Jun-39			90,600		90,600			4,530,000	
01-Dec-39	4.00%	350,000	90,600	(5,876)	434,724	95.133%	332,966	4,180,000	525,324
01-Jun-40			83,600		83,600			4,180,000	
01-Dec-40	4.00%	375,000	83,600	(5,876)	452,724	95.133%	356,749	3,805,000	536,324
01-Jun-41			76,100		76,100			3,805,000	
01-Dec-41	4.00%	390,000	76,100	(5,876)	460,224	95.133%	371,019	3,415,000	536,324
01-Jun-42			68,300		68,300			3,415,000	
01-Dec-42	4.00%	420,000	68,300	(5,876)	482,424	95.133%	399,559	2,995,000	550,724
01-Jun-43			59,900		59,900			2,995,000	
01-Dec-43	4.00%	435,000	59,900	(5,876)	489,024	95.133%	413,829	2,560,000	548,924
01-Jun-44			51,200		51,200			2,560,000	
01-Dec-44	4.00%	465,000	51,200	(5,876)	510,324	95.133%	442,368	2,095,000	561,524
01-Jun-45			41,900		41,900			2,095,000	
01-Dec-45	4.00%	480,000	41,900	(5,876)	516,024	95.133%	456,638	1,615,000	557,924
01-Jun-46			32,300		32,300			1,615,000	
01-Dec-46	4.00%	515,000	32,300	(5,876)	541,424	95.133%	489,935	1,100,000	573,724
01-Jun-47			22,000		22,000			1,100,000	
01-Dec-47	4.00%	535,000	22,000	(5,876)	551,124	95.133%	508,962	565,000	573,124
01-Jun-48			11,300		11,300			565,000	
01-Dec-48	4.00%	565,000	11,300	(299,676)	276,624	95.133%	537,501	0	287,924
		<u>\$ 8,150,000</u>	<u>\$ 5,764,900</u>	<u>\$ (449,269)</u>	<u>\$ 13,465,631</u>		<u>\$ 8,191,566</u>		<u>\$ 13,465,631</u>

This financial information should be read only in connection with the accompanying Summary of Significant Assumptions and Accounting Policies

**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DAcono, WELD COUNTY, COLORADO)**

**FORECAST OF CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS  
FOR GENERAL FUND AND DEBT SERVICE FUND ONLY  
FOR CALENDAR YEARS ENDING 2022 THROUGH 2049 -ALTERNATIVE SCENARIO A**

**SCHEDULE OF ESTIMATED SUBORDINATE BONDS DEBT SERVICE REQUIREMENTS  
ASSUMING A SETTLEMENT OF JUNE 16, 2022**

Payment Date	Rate	Principal	Accrued Interest	Interest Paid	Cumulative Unpaid Interest	Total Debt Payment	Principal Outstanding	Outstanding Balance
15-Dec-22			\$43,818		\$43,818		\$1,175,000	\$1,175,000
15-Dec-23			91,411		135,229		1,175,000	1,218,818
15-Dec-24			98,267	\$43,533	189,963	\$43,533	1,175,000	1,310,229
15-Dec-25			102,372	130,705	161,631	130,705	1,175,000	1,364,963
15-Dec-26			100,247	127,641	134,237	127,641	1,175,000	1,336,631
15-Dec-27			98,193	129,371	103,059	129,371	1,175,000	1,309,237
15-Dec-28			95,854	128,921	69,992	128,921	1,175,000	1,278,059
15-Dec-29			93,374	126,891	36,476	126,891	1,175,000	1,244,992
15-Dec-30	7.500%	\$5,000	90,861	127,336	-	132,336	1,175,000	1,211,476
15-Dec-31	7.500%	45,000	87,750	87,750	-	132,750	1,125,000	1,170,000
15-Dec-32	7.500%	51,000	84,375	84,375	-	135,375	1,074,000	1,125,000
15-Dec-33	7.500%	55,000	80,550	80,550	-	135,550	1,019,000	1,074,000
15-Dec-34	7.500%	59,000	76,425	76,425	-	135,425	960,000	1,019,000
15-Dec-35	7.500%	61,000	72,000	72,000	-	133,000	899,000	960,000
15-Dec-36	7.500%	72,000	67,425	67,425	-	139,425	827,000	899,000
15-Dec-37	7.500%	77,000	62,025	62,025	-	139,025	750,000	827,000
15-Dec-38	7.500%	81,000	56,250	56,250	-	137,250	669,000	750,000
15-Dec-39	7.500%	91,000	50,175	50,175	-	141,175	578,000	669,000
15-Dec-40	7.500%	100,000	43,350	43,350	-	143,350	478,000	578,000
15-Dec-41	7.500%	106,000	35,850	35,850	-	141,850	372,000	478,000
15-Dec-42	7.500%	115,000	27,900	27,900	-	142,900	257,000	372,000
15-Dec-43	7.500%	123,000	19,275	19,275	-	142,275	134,000	257,000
15-Dec-44	7.500%	134,000	10,050	10,050	-	144,050	-	134,000
		<u>\$1,175,000</u>	<u>\$1,587,798</u>	<u>\$1,587,798</u>		<u>\$2,762,798</u>		(0)

This financial information should be read only in connection with the accompanying Summary of Significant Assumptions and Accounting Policies

## **APPENDIX C**

### **ASSESSED VALUE APPRECIATION REPORT**

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## Memorandum

To: Sweetgrass Metropolitan District No. 2.  
From: King & Associates, Inc.  
Date: January 27, 2022 / Revised: May 13, 2022  
RE: Sweetgrass Metropolitan District No. 2 – Appreciation Analysis.

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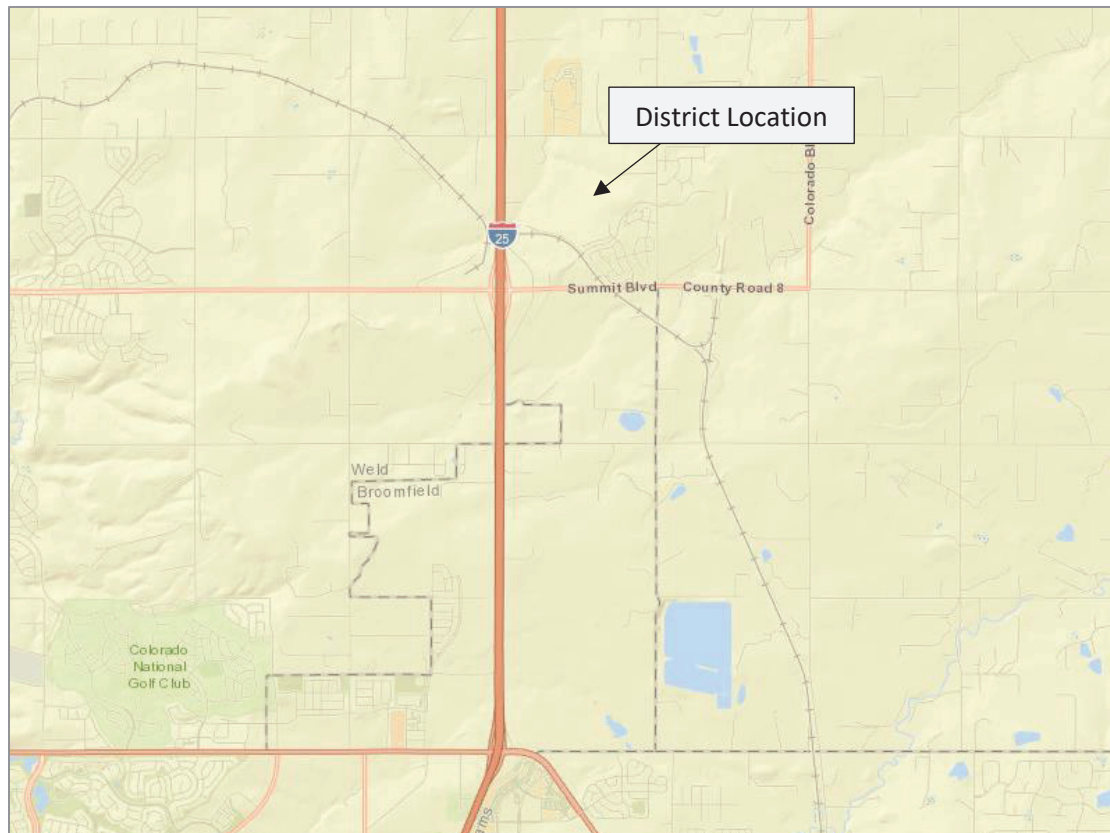
### SCOPE

Sweetgrass Metropolitan District No. 2 has retained King & Associates, Inc. to provide a residential value appreciation projection for the District. To complete the projection, residential market trends in the City of Dacono and the Greeley, MSA (includes Weld County) market areas have been reviewed.

### BACKGROUND

Sweetgrass Metropolitan District No. 2 is located in the City of Dacono, Weld County, Colorado, northeast of the I-25 and Summit Blvd. intersection. This memo addresses appreciation of residential units planned in the District with the map below providing the general location of Sweetgrass Metropolitan District No. 2.

#### Sweetgrass Metropolitan District No. 2 – Locator Map



Source: King & Associates, Inc.

## RESIDENTIAL APPRECIATION TRENDS

The Zillow Inc. Home Value Index has been used to review the local City of Dacono residential real estate market area trends and the S&P / CoreLogic Case-Shiller Home Price Index has been used to review regional Greeley, MSA (includes Weld County) residential real estate market area trends.

### *Home Value Index – City of Dacono Market Area, Colorado*

- The District is located in the City of Dacono residential market area, which includes the District and homes in the surrounding area.
- The Zillow Inc. Home Value Index has been reviewed to assess long-term appreciation trends in the Dacono market area.<sup>1</sup>
- From the January 2012 (extent of available data) through April 2022 period, the Home Value Index in the Dacono market area increased from approximately \$180,000 to \$520,000, equaling appreciation of 10.90% annually.
- During the 2012 (January) through 2021 (December) period, the Home Value Index reached two defined high points (March 2019 and April 2022) and one low point (January 2012).
  - The Home Value Index peaked at approximately \$370,000 per unit in March 2019 and \$520,000 in April 2022.
  - The Home Value Index dipped to a low point of approximately \$180,000 per unit in January 2012.

### *Greeley, MSA Sales Price Trends*

- S&P / CoreLogic Case – Shiller (Case – Shiller) single-family home price index data has also been provided as additional residential appreciation trend information.<sup>2</sup>
- Sweetgrass Metropolitan District No. 2 is located in the City of Dacono which is within the Greeley, MSA (Weld County).
- The Greeley, MSA provides a discrete geographic area for tracking price appreciation trends within urban and suburban neighborhoods surrounding the District.
- Greeley, MSA residential price appreciation trends have been reviewed over the past thirty-year period extending from Q4 1991 through Q4 2021 (most current data).
- S&P / CoreLogic Case – Shiller (Case – Shiller) housing price data has been used as a basis to forecast future appreciation rates in the District since it indexes single-family home price trends from urban and suburban areas throughout the Greeley, MSA.

### *S&P / CoreLogic Case – Shiller (Case – Shiller) Home Price Index*

- The Case – Shiller index has been used to review residential home price appreciation trends in the Greeley, MSA.

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<sup>1</sup> The Zillow Inc. Home Value Index includes single-family attached and detached home types.

<sup>2</sup> The S&P / CoreLogic Case – Shiller Home Price Index addresses single-family homes and does not specify between single-family attached and detached unit types. The index does not include condominiums or co-ops.

- The Case – Shiller index was designed to track the value of single-family housing within the United States and geographic submarkets.
- The purpose of the Case – Shiller index is to provide an accurate measure of housing price changes within prescribed geographic areas (nationally, regionally, metropolitan areas).
- The index is calculated on a quarterly basis using the repeat sales methodology, which is claimed to be the most widely recognized methodology for indexing housing prices.
- The index publishers (S&P / CoreLogic Case – Shiller) state that the index uses “data on properties that have sold at least twice, in order to capture the true appreciated value of each specific sales unit”.
- The index tracks single-family home price trends and is based on home sales variables that include: price changes, segmented market price points, weighted price variables and sales anomalies.

#### Greeley, MSA – S&P / CoreLogic Case – Shiller Home Price Index

- The Case – Shiller Greeley, MSA Home Price Index has been reviewed from Q4 1991 through Q4 2021 (most current data).
- In Q4 1991, the Greeley, MSA Home Price Index stood at 72.66.
- By Q4 2021, the Home Price Index was 368.61.
- During the Q4 1991 through Q4 2021 time period, the Greeley, MSA Home Price Index has increased by an annual rate of 5.56% and provides an excellent measure of home price appreciation trends during the past thirty-year period.
- The review period includes one significant housing market down-cycle, which extended from Q2 2006 through Q1 2011, during which the Home Price Index decreased by 3.48% annually.
- There have also been two periods of extended housing price appreciation in the Greeley, MSA housing market.
  - The first period extended from 1991 through 2006 (approximately 16 years) with home price appreciation equaling 6.61% annually.
  - The second period has extended from 2011 through Q4 2021 (most recent data) with home price appreciation equaling 8.86% annually.
- The following table summarizes Greeley, MSA single-family home price appreciation trends over the last thirty-year period.

**Greeley, MSA – Home Price Appreciation Trends**

Year	Index
Q4 1991	72.66
Q4 2021	368.61
Annual Appreciation	5.56%

Source: S&P / CoreLogic Case-Shiller.

Notes:

1. The Home Price Index reflects single-family homes.
2. The values in the table above represent an index of single-family home prices and do not reflect average or median sales prices. The index is based on single-family home sales variables that include price changes, segmented market price points, weighted price variables and sales anomalies.

**CORONAVIRUS (SARS-COV-2) IMPACTS**

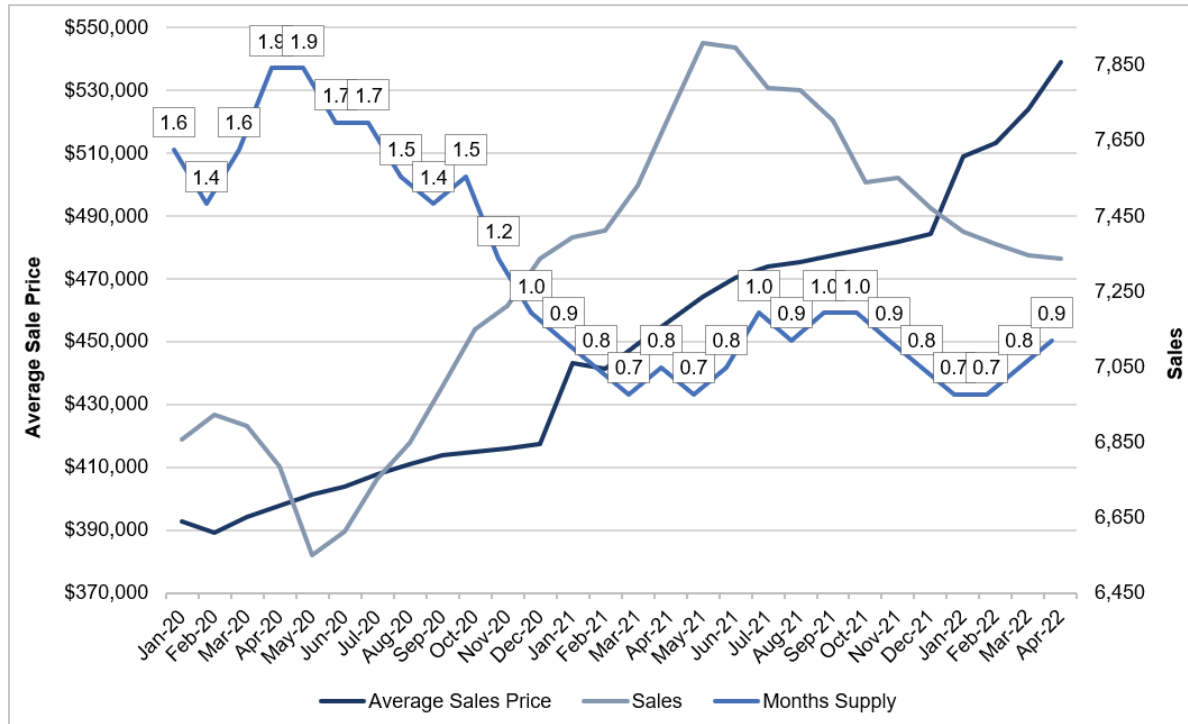
- The State of Colorado implemented measures to combat the spread of the Coronavirus during March 2020, which included closing nonessential businesses and stay-at-home guidelines for the general population.
- These guidelines have been reviewed and updated since March 2020, with easing of stay-at-home guidelines for the general population and reopening of businesses occurring throughout the State of Colorado.
- Given unprecedented impacts on global health and safety, as well as economic uncertainties, the extended impacts of the Coronavirus on home prices and appreciation in the Greeley, MSA area are not fully known at the current time.
- However, single-family detached resale (existing homes) statistics have been summarized from December 2020 through April 2022 for the Weld County market area to depict known and current impacts of the Coronavirus.

***Single-family Detached Weld County Home Sales***

- Single-family detached resale (existing homes) statistics from the Colorado Association of Realtors are provided for the past year (April 2022 compared with April 2021) for the Weld County market area.
- Weld County resale data comparing April 2022 trailing-twelve-month statistics with April 2021 trailing-twelve-month statistics show: i) sales volume down by 4.9%, ii) average sales prices up by 18.9%, iii) active listings up by 368% and iv) months supply of inventory increasing to 0.9 from 0.8.
- Year-over-year comparative statistics in Weld County for the month of April (2022 and 2021) show: i) sales volume down by 5.9%, ii) average sales prices up by 18.0% and iii) active listings up by 3.54%.
- Given this data, single-family detached resale markets in Weld County have demonstrated steady buying activity and increased average home sale prices since the onset of the Coronavirus.

- See chart below summarizing Weld County single-family detached resale (existing homes) statistics.

### Weld County - Single-family Detached Resale (Existing) Home Sale Trends



Source: Colorado Association of Realtors, King & Associates, Inc.

Note:

1. Sales data presented above includes trailing-twelve-month statistics.

### FINDINGS

- King & Associates, Inc. has reviewed single-family home appreciation trends in the City of Dacono market area and the Greeley, MSA market area.
- The Zillow Inc. Home Value Index for the City of Dacono market area indicates single-family resale home prices have appreciated by 10.90% annually from January 2012 through April 2022.
- From Q4 1991 through Q4 2021, the S&P / CoreLogic Case-Shiller Home Price Index for the Greeley, MSA market area has increased annually by 5.56%.
- A 3.00% annual appreciation rate is projected for single-family residential units in the District and is believed to be a conservative ongoing average of residential value growth (appreciation) that considers periods of both increasing and declining residential market values.
- The following table summarizes residential appreciation trends in the Dacono market area and the Greeley, MSA market area.

**Residential Appreciation Trends and Ongoing Appreciation Rate Projection**

City of Dacono Market Area - Home Value Index Trends	
2012 (January)	\$180,000
2022 (April)	\$520,000
Average annual appreciation	10.90%
Greeley, MSA - Single-family Home Price Index Trends	
1991 (Q4)	72.66
2021 (Q4)	368.61
Average annual appreciation	5.56%
Projected Appreciation:	
Ongoing single-family projected appreciation rate	3.00%

Source: Zillow Inc., S&P / CoreLogic Case-Shiller and King & Associates, Inc.

**CONCLUSION**

Based on review and analysis of single-family residential home appreciation trends in the City of Dacono and the Greeley, MSA housing market areas, King & Associates, Inc. projects the ongoing appreciation rate pertaining to the actual value of homes in the District at 3.00% annually through 2062.



## DISCLAIMER

*King & Associates, Inc. has reviewed real estate market conditions in the City of Dacono and the Greeley, MSA to review assessed value inflation potential in the project area of Sweetgrass Metropolitan District No. 2. Readers of this report should understand that real estate market conditions are dynamic and that unforeseen factors can have a negative impact, sometimes materially, on market conditions in the region, trade area and the project. The findings and conclusion put forth within this report are based on information and market conditions as of its date and should not be interpreted as a guarantee of assessed value appreciation potential and ultimate project performance.*

## SARS-CoV-2 (CORONAVIRUS) DISCLAIMER

*This memorandum has been completed during the SARS-CoV-2 (Coronavirus) outbreak. At the time of this report, the impacts of the Coronavirus upon national and local real estate markets has not been fully determined. The findings in this memorandum have been based on the most current real estate market information available prior and during the Coronavirus outbreak. Actual home appreciation that may occur in the Sweetgrass Metropolitan District No. 2 given impacts from the Coronavirus outbreak may be different, possibly materially, from the findings and conclusions detailed in this memorandum.*

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## **APPENDIX D**

### **SELECTED PROVISIONS OF THE SENIOR INDENTURE**

Set forth below are summaries of certain provisions of the Senior Indenture. These summaries are in addition and complementary to those found elsewhere in this Official Statement. Reference is made to the Senior Indenture for a complete recital of its terms, copies of which are available from the Underwriter during the period of the initial offering of the Bonds.

#### **Covenant to Impose Required Mill Levy**

For the purpose of paying the principal of, premium if any, and interest on the Bonds, funding the Surplus Fund, and if necessary funding the Reserve Fund, the District covenants to cause to be levied on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in each of the years 2022 to 2047 (for collection in 2048), inclusive in the amount of the Required Mill Levy. Nothing in the Senior Indenture shall be construed to require the District to levy an ad valorem property tax in an amount in excess of the Required Mill Levy.

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

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

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

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

#### **Tax Matters**

The District covenants for the benefit of the Owners that it will not take any action or omit to take any action with respect to the Bonds, any funds of the District, or any facilities financed with the proceeds of the Bonds, if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, (ii) would cause interest on the Bonds to lose its exclusion from individual federal alternative minimum taxable income as defined in Section 55(b)(2) of the Code, or (iii) would cause interest on the Bonds to lose its exclusion from Colorado taxable income or Colorado alternative minimum taxable income under present Colorado law.

In the event that at any time the District is of the opinion that for purposes of the Senior Indenture it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee or held by the District under the Senior Indenture, the District shall so restrict or limit the yield on such investment

or shall so instruct the Trustee in a detailed certificate, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The District specifically covenants to comply with the provisions and procedures of the Tax Certificate.

The District further covenants to pay from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed, or final Treasury Regulations as may be applied to the Bonds from time to time. The payment of such rebate amounts as required by the Senior Indenture supersedes all other provisions of the Senior Indenture concerning the deposit and transfer of interest earnings to or from any other fund or account. Moneys set aside to pay such rebate amounts pursuant to the Senior Indenture are not subject to any lien created under the Senior Indenture for the benefit of the Owners. The covenant shall survive the payment in full or the defeasance of the Bonds.

The covenants contained in the Senior Indenture shall remain in full force and effect until the date on which all obligations of the District in fulfilling such covenants under the Code and Colorado law have been met, notwithstanding the payment in full or defeasance of the Bonds.

***Use of Interest Income.*** Except as provided in the Senior Indenture for investments of the Reserve Fund and the Surplus Fund, the interest income derived from the investment and reinvestment of any moneys in any fund or account held by the Trustee under the Senior Indenture shall be credited to the fund or account from which the moneys invested were derived. With respect to the Reserve Fund, so long as the amount of the Reserve Fund is equal to the Required Reserve, all interest income from the investment or reinvestment of moneys credited to the Reserve Fund shall be credited to the Bond Fund; provided that if the amount of the Reserve Fund is less than the Required Reserve, then such interest income shall be credited to the Reserve Fund. With respect to the Surplus Fund, so long as the amount of the Surplus Fund is equal to the Maximum Surplus Amount, all interest income from the investment or reinvestment of moneys credited to the Surplus Fund shall be credited to the Bond Fund; provided that if the amount of the Surplus Fund is less than the Maximum Surplus Amount, then such interest income shall be credited to the Surplus Fund.

See also “TAX MATTERS” in the body of this Official Statement.

### **Additional Covenants and Agreements**

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

- The District shall not dissolve, merge, or otherwise alter its corporate structure in any manner or to any extent as might materially adversely affect the security provided for the payment of the Bonds, and will continue to operate and manage the District and its facilities in an efficient and economical manner in accordance with all applicable laws, rules, and regulations; provided however, that the foregoing shall not prevent the District from dissolving pursuant to the provisions of the Act.
- At least once a year the District will cause an audit to be performed of the records relating to its revenues and expenditures, and the District shall use its reasonable efforts to have such audit report completed no later than September 30 of the calendar year after the calendar year which is the subject of such audit. The foregoing covenant shall apply notwithstanding any state law audit exemptions that may exist. In addition, at least once a year in the time and manner provided by law, the District will cause a budget to be prepared and adopted. Copies of the

budget and any audit will be filed and recorded in the places, time, and manner provided by law.

- The District will carry general liability, public officials liability, and such other forms of insurance on insurable District property upon the terms and conditions, in such amounts, and issued by recognized insurance companies, as in the judgment of the District will protect the District and its operations.
- Each District official or other person having custody of any District funds or responsible for the handling of such funds, shall be bonded or insured against theft or defalcation at all times.
- In the event the Pledged Revenue and other moneys available under the Senior Indenture for payment of the Bonds is insufficient or is anticipated to be insufficient to pay the principal of, premium if any, and interest on the Bonds when due, the District shall use its commercially reasonable efforts to refinance, refund, or otherwise restructure the Bonds so as to avoid such insufficiency.
- In the event any ad valorem taxes are not paid when due, the District shall diligently cooperate with the appropriate county treasurer to enforce the lien of such unpaid taxes against the property for which the taxes are owed.

#### **Additional Bonds**

***In General.*** After issuance of the Bonds, no Additional Bonds may be issued except in accordance with the provisions of the Senior Indenture, and without the consent of the Bond Insurer. Nothing in the Senior Indenture shall affect or restrict the right of the District to issue or incur obligations which are not Additional Bonds under the Senior Indenture; provided that notwithstanding the foregoing or anything in the Senior Indenture to the contrary, the District shall not create, incur, assume, or suffer to exist any liens or encumbrances upon the ad valorem tax revenues of the District or the Pledged Revenue or any part thereof superior to the lien thereon of the Bonds.

***Series 2022B Subordinate Bonds.*** The District may issue the Series 2022B Subordinate Bonds at such time or times and on such terms and conditions as may be determined by the District without compliance with any of the other terms and conditions of the Senior Indenture.

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

***District Certification.*** A written certificate by the President or Vice President or Treasurer of the District stating that (i) the conditions for issuance of Additional Bonds set forth in the Senior Indenture are met and (ii) the maximum Required Mill Levy based solely on the most recent certified residential assessed valuation will produce Pledged Revenue of no less than 1.30 times the maximum annual debt service on the outstanding Bonds and the proposed Additional Bonds, shall conclusively determine the right of the District to authorize, issue, sell, and deliver such Additional Bonds in accordance with the Senior Indenture.

## **Discharge of the Lien of the Indenture**

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

Any Bond shall, prior to the maturity or prior redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Senior Indenture if, for the purpose of paying such Bond (i) there shall have been deposited with the Trustee an amount sufficient, without investment, to pay the principal of, premium if any, and interest on such Bond as the same becomes due at maturity or upon one or more designated prior redemption dates, or (ii) there shall have been placed in escrow and in trust with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Federal Securities in which such amount may be invested) to pay the principal of, premium if any, and interest on such Bond, as the same becomes due at maturity or upon one or more designated prior redemption dates. The Federal Securities in any such escrow shall not be subject to redemption or prepayment at the option of the issuer, and shall become due at or prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the District and such bank at the time of the creation of the escrow, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. The sufficiency of any such escrow funded with Federal Securities shall be determined by a Certified Public Accountant.

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

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

The release of the obligations of the District under the Senior Indenture shall be without prejudice to the rights of the Trustee to be paid reasonable compensation by the District for all services rendered by it under the Senior Indenture and all its reasonable expenses, charges, and other disbursements incurred in



the administration of the trust created by the Senior Indenture, the exercise of its powers, and the performance of its duties under the Senior Indenture.

***Continuing Role as Bond Registrar and Paying Agent.*** Notwithstanding the defeasance of the Bonds prior to maturity and the discharge of the Senior Indenture as provided in the Senior Indenture, the Trustee shall continue to fulfill its obligations under the Senior Indenture until the Bonds are fully paid, satisfied, and discharged.

## **Default and Remedies**

***Events of Default.*** 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 Senior Indenture (whatever the reason for such event or condition and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, rule, regulation, or order of any court or any administrative or governmental body), and there shall be no default or Event of Default under the Senior Indenture except as provided in the Senior Indenture:

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

WITHOUT LIMITING THE FOREGOING, AND NOTWITHSTANDING ANY OTHER PROVISION CONTAINED IN THE SENIOR INDENTURE, THE DISTRICT ACKNOWLEDGES AND AGREES THAT THE APPLICATION OF ANY PORTION OF THE PLEDGED REVENUE TO ANY PURPOSE OTHER THAN DEPOSIT WITH THE TRUSTEE IN ACCORDANCE WITH THE PROVISIONS OF THE SENIOR INDENTURE CONSTITUTES A VIOLATION OF THE TERMS OF THE SENIOR INDENTURE AND A BREACH OF THE COVENANTS MADE UNDER THE SENIOR INDENTURE FOR THE BENEFIT OF THE OWNERS OF THE BONDS, WHICH SHALL ENTITLE THE TRUSTEE TO PURSUE, ON BEHALF OF THE OWNERS OF THE BONDS, ALL AVAILABLE ACTIONS AGAINST THE DISTRICT IN LAW OR IN EQUITY, AS MORE PARTICULARLY PROVIDED IN THE SENIOR INDENTURE. THE DISTRICT FURTHER ACKNOWLEDGES AND AGREES THAT THE APPLICATION OF PLEDGED REVENUE IN VIOLATION OF THE COVENANTS OF THE SENIOR INDENTURE WILL RESULT IN IRREPARABLE HARM TO THE OWNERS OF THE BONDS. IN NO EVENT SHALL ANY PROVISION OF THE SENIOR INDENTURE BE INTERPRETED TO PERMIT THE DISTRICT TO RETAIN ANY PORTION OF THE PLEDGED REVENUE.

It is acknowledged that due to the limited nature of the Pledged Revenue, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default under the Senior Indenture. Further, in the event that any amount of principal of or interest on the Bonds remains unpaid after the application of all Pledged Revenue available therefor on the Termination Date of the Bonds, December 31, 2049, the Bonds and the lien of the Senior Indenture securing payment thereof shall be deemed discharged, the estate and rights granted by the Senior Indenture shall cease, terminate, and be void,

and upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Bonds remaining unpaid.

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

- ***Receivership.*** Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the Senior Indenture to, the Trustee.
- ***Suit for Judgment.*** The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Act, the Bonds, the Bond Resolution, the Senior Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.
- ***Mandamus or Other Suit.*** The Trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the Owners.

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

If any Event of Default under the Senior Indenture shall have occurred and if requested by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Senior Indenture as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Owners; provided that the Trustee at its option shall be indemnified as provided in the Senior Indenture.

Notwithstanding anything in the Senior Indenture to the contrary, acceleration of the Bonds shall not be an available remedy for an Event of Default, nor shall the District be liable for consequential or punitive damages. Nothing in the Senior Indenture shall be construed as a waiver of the Colorado Governmental Immunity Act (Title 24, Article 10, C.R.S.).

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

***Rights and Remedies of Owners.*** No Owner of any Bond shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Senior Indenture or for the execution of any trust of the Senior Indenture or for the appointment of a receiver or any other remedy under the Senior Indenture, unless a default has occurred of which the Trustee has been notified as provided in the Senior Indenture, or of which under the Senior Indenture it is deemed to have notice, and unless such default shall have become an Event of Default and the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted by the Senior Indenture or to institute such action, suit, or proceedings in their own name, nor unless they have also offered to the Trustee indemnity as provided in the Senior Indenture, nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted by the Senior Indenture, or to institute such action, suit, or proceeding in its own name; and such notification, request, and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to any action or cause of action for the enforcement of the Senior Indenture, or for the appointment of a receiver or for any other remedy under the Senior Indenture; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of the Senior Indenture by his, her, its, or their action, or to enforce any right under the Senior Indenture except in the manner provided in the Senior Indenture and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner provided in the Senior Indenture and for the equal benefit of the Owners of all Bonds then Outstanding.

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

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

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

***Delay or Omission No Waiver.*** No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by the Senior Indenture may be exercised from time to time and as often as may be deemed expedient.

***No Waiver of One Default to Affect Another; Cumulative Remedies.*** No waiver of any default under the Senior Indenture, whether by the Trustee or the Owners, shall extend to or affect any subsequent

or any other then existing default or shall impair any rights or remedies consequent thereon. All rights and remedies of the Trustee and the Owners provided in the Senior Indenture shall be cumulative and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.

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

***Waivers of Events of Default.*** The Trustee may in its discretion waive any Event of Default under the Senior Indenture and its consequences, and shall do so upon the written request of the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding; provided however, that there shall not be waived without the consent of the Consent Parties with respect to one hundred percent (100%) of the Bonds then Outstanding as to which the Event of Default exists any Event of Default under the Senior Indenture. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then in every such case the District, the Trustee, and the Owners shall be restored to their former positions and rights under the Senior Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

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

No default under the Senior Indenture shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given by the Trustee, the Bond Insurer, or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds Outstanding to the District, and the District shall have had thirty (30) days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted within the applicable period and diligently pursued thereafter until the default is corrected and the Bond Insurer consents in writing.

## **Supplemental Indentures**

The District and the Trustee may enter one or more amendments or supplements to the Senior Indenture (“Supplemental Indentures”) for various purposes described after the issuance of the Bonds.

***Supplemental Indentures Not Requiring Consent.*** Subject to the provisions of the Senior Indenture, the District and the Trustee may, without the consent of or notice to the Owners or Consent Parties, but with the prior written consent of the Bond Insurer, enter into such indentures supplemental to the Senior Indenture, which supplemental indentures shall thereafter form a part of the Senior Indenture, for any one or more of the following purposes:

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

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

- a change in the terms of the maturity of any Outstanding Bond, in the principal amount of any Outstanding Bond, in the optional or mandatory redemption provisions applicable thereto, or the rate of interest thereon;
- an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of or interest on the Bonds when due;
- a privilege or priority of any Bond or any interest payment over any other Bond or interest payment; or
- a reduction in the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners or Consent Parties is required for any such supplemental indenture.

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

If at any time the District shall request the Trustee to enter into such supplemental indenture for any of the purposes of the Senior Indenture, the Trustee shall, upon being satisfactorily indemnified with respect to fees and expenses, cause written notice of the proposed execution of such supplemental indenture to be given to each Owner of a Bond at the address shown on the registration books of the Trustee, and to the Bond Insurer, prior to the proposed date of execution and delivery of any such supplemental indenture.



If the Consent Parties with respect to not less than the required percentage in aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such supplemental indenture, or the Bond Insurer, as the case may be, consent to the execution thereof, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the District from executing the same or from taking any action pursuant to the provisions thereof.

***Execution of Supplemental Indenture.*** The Trustee is authorized to join with the District in the execution of any such supplemental indenture and to make further agreements and stipulations which may be contained therein; provided that, prior to the execution of any such supplemental indenture (whether under the Senior Indenture) the Trustee and the District may require and shall be fully protected in relying upon an opinion of nationally recognized municipal bond Counsel experienced in matters arising under Section 103 of the Code and acceptable to the Trustee and the District, to the effect that: (i) the supplement will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds; (ii) the District is permitted by the provisions of the Senior Indenture to enter into the supplement; and (iii) the supplement is a valid and binding obligation of the District, enforceable in accordance with its terms, subject to matters permitted by the Senior Indenture.

### **Concerning Trustee**

***Acceptance of Trusts and Duties of Trustee.*** The Trustee accepts by the Senior Indenture the trusts imposed upon it by the Senior Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into the Senior Indenture against the Trustee.

The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of any Event of Default which may have occurred, shall undertake to perform such duties and only such duties as are specifically set forth in the Senior Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by the Senior Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs in exercising the rights or remedies or performing any of its duties under the Senior Indenture.

The Trustee may execute any of the trusts or powers of the Senior Indenture and perform any of its duties by or through attorneys, agents, receivers, or employees, but shall be answerable for the conduct of the same in accordance with the standards specified in the Senior Indenture, and shall be entitled to act upon the advice or an opinion of Counsel concerning all matters of trust of the Senior Indenture and the duties under the Senior Indenture, and may in all cases pay (and be reimbursed as provided in the Senior Indenture) such compensation to all such attorneys, agents, receivers, and employees as may reasonably be employed in connection with the trusts of the Senior Indenture. The Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in good faith in reliance upon the advice or opinion of such attorneys, agents, receivers, or employees chosen with due care.

The Trustee shall not be responsible for any recital in the Senior Indenture or in the Bonds, or for the recording or filing of the Senior Indenture, or for the validity of the execution by the District of the Senior Indenture or of any supplements to the Senior Indenture or instruments of further assurance, or for the sufficiency of the security for the Bonds, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions, or agreements on the part of the District, except as expressly set forth in the Senior Indenture; but the Trustee may require of the District full information and advice as to the performance of the covenants, conditions, and agreements aforesaid. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Senior Indenture.



The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the validity or sufficiency of the Senior Indenture or of the Bonds. The Trustee shall not be accountable for the use or application of any Bonds or the proceeds thereof (except for funds or investments held by the Trustee) or of any money paid to or upon the order of the District under any provision of the Senior Indenture. The Trustee, in its individual or any other capacity, may become the Owner of the Bonds with the same rights which it would have if not the Trustee.

The Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. The Trustee may rely conclusively on any such certificate or other paper or document and shall not be required to make any independent investigation in connection therewith. Any action taken by the Trustee pursuant to the Senior Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Registered Owner of any Bonds shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in place thereof.

As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper, or proceedings, or whenever in the administration of the Senior Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action under the Senior Indenture, the Trustee shall be entitled to conclusively rely upon a certificate signed on behalf of the District by the District Representative or the District's President or Vice President or such other person as may be designated for such purpose by a certified resolution of the Board as sufficient evidence of the facts therein contained, and, prior to the occurrence of a default of which the Trustee has been notified as provided in the Senior Indenture or of which by the Senior Indenture it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction, or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

The permissive right of the Trustee to do things enumerated in the Senior Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct, and shall not be answerable for any negligent act of its attorneys, agents, or receivers which have been selected by the Trustee with due care.

The Trustee shall not be required to take notice or be deemed to have notice of any default under the Senior Indenture unless the Trustee shall be specifically notified in writing of such default by the District or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding. All notices or other instruments required by the Senior Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid.

All moneys received by the Trustee shall, until used or applied or invested as provided in the Senior Indenture, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by the Senior Indenture or by law. The Trustee shall not be under any liability to invest any moneys received under the Senior Indenture except as provided in the Senior Indenture.

At any and all reasonable times the Trustee or its duly authorized agents, attorneys, experts, engineers, accountants, and representatives shall have the right, but shall not be required, to inspect any and all books, papers, and records of the District pertaining to the Bonds and the Pledged Revenue, and to take such memoranda from and in regard thereto as may be desired.

Notwithstanding anything in the Senior Indenture to the contrary, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, or any action whatsoever within the purview of the Senior Indenture, any showings, certificates, opinions, appraisals, or other information or corporate action or evidence thereof, in addition to that by the terms of the Senior Indenture required, as a condition of such action by the Trustee, as may be deemed desirable for the purpose of establishing the right of the District to the authentication of any Bonds, or the taking of any other action by the Trustee.

All records of the Trustee pertaining to the Bonds shall be open during reasonable times for inspection by the District.

The Trustee shall not be required to advance its own funds, and before taking any action to enforce the terms of the Senior Indenture, the Trustee may require that indemnity satisfactory to it be furnished to it for the reimbursement of all costs and expenses which it may incur, including attorney's fees, and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct, by reason of any action so taken.

The Trustee shall not be required to give any bond or surety in respect to the execution of its trusts and powers under the Senior Indenture or otherwise with respect to the Bonds.

The Trustee makes no representations as to the validity or sufficiency of the Senior Indenture or the Bonds, assumes no responsibility for the correctness of the same, and shall incur no responsibility in respect to such validity or sufficiency.

***Fees and Expenses of the Trustee.*** The Trustee shall be entitled to payment and reimbursement of its fees and expenses for ordinary services rendered under the Senior Indenture (which compensation is not intended by the parties to the Senior Indenture to be limited by any provision of law in regard to the compensation of a trustee of an express trust) as and when the same become due, and all advances, agent, and counsel fees and other ordinary expenses reasonably and necessarily made or incurred by the Trustee in connection with such ordinary services. The Trustee reserves the right to renegotiate its current fees for ordinary services to correspond with changing economic conditions, inflation and changing requirements relating to the Trustee's ordinary services.

In the event that it should become necessary for the Trustee to perform extraordinary services, the Trustee shall be entitled to reasonable additional compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided that if such extraordinary services or extraordinary expenses are occasioned by the negligence or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefore.

***Resignation or Replacement of Trustee*** The Trustee may resign, subject to the appointment of a successor, by giving thirty (30) days' notice of such resignation to the District and to all Owners of Bonds specifying the date when such resignation shall take effect. Except as set forth in the Senior Indenture (a), such resignation shall take effect on the date specified in such notice unless a successor shall have been previously appointed as provided after in the Senior Indenture, in which event such resignation shall take effect immediately on the appointment of such successor. The Trustee may petition the courts to appoint a successor in the event no such successor shall have been previously appointed. The Trustee may be removed at any time by an instrument in writing, executed by the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding with the prior consent of the Bond Insurer. Prior to an Event of Default, the Bond Insurer shall have the right to remove the Trustee for cause, and upon the occurrence of an event which would with notice or the passage of time constitute an Event of Default, the Bond Insurer shall have the right to remove the Trustee for any reason. Any removal or resignation of

the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

In case the Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the District so long as it is not in default under the Senior Indenture; otherwise by the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding by an instrument or concurrent instruments signed by such Consent Parties, or their attorneys-in-fact appointed; provided however, that even if the District is in default under the Senior Indenture it may appoint a successor until a new successor shall be appointed by the District or the Consent Parties as authorized in the Senior Indenture. The District, upon making such appointment, shall forthwith give notice thereof to the Owners by mailing to the address shown on the registration books maintained by the Trustee, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. Any successor so appointed by the District shall immediately and without further act be superseded by a successor appointed in the manner above provided by the District or the Consent Parties, as applicable.

Every successor Trustee shall always be a commercial bank or trust company in good standing, qualified to act under the Senior Indenture, and having a capital and surplus of not less than \$50,000,000, if there be such an institution willing, qualified, and able to accept the trust upon reasonable and customary terms. Any successor appointed under the Senior Indenture shall execute, acknowledge, and deliver to the District an instrument accepting such appointment under the Senior Indenture, and thereupon such successor shall, without any further act, deed, or conveyance, become vested with all estates, properties, rights, powers, and trusts of its predecessor in the trust under the Senior Indenture with like effect as if originally named as the Trustee under the Senior Indenture, and thereupon the duties and obligations of the predecessor shall cease and terminate; but the Trustee retiring shall, nevertheless, on the written demand of its successor and upon the payment of the fees and expenses owed to the predecessor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts expressed in the Senior Indenture, all the estates, properties, rights, powers, and trusts of the predecessor, who shall duly assign, transfer, and deliver to the successor all properties and moneys held by it under the Senior Indenture. If any instrument from the District is required by any successor for more fully and certainly vesting in and confirming to it the estates, properties, rights, powers, and trusts of the predecessor, those instruments shall be made, executed, acknowledged, and delivered by the District on request of such successor.

The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor under the Senior Indenture, together with all other instruments provided for in the Senior Indenture, shall be filed or recorded by the successor Trustee in each recording office, if any, where the Senior Indenture shall have been filed or recorded.

***Conversion, Consolidation, or Merger of Trustee.*** Anything in the Senior Indenture to the contrary notwithstanding, any bank or trust company or other person into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole, shall be the successor of the Trustee under the Senior Indenture with the same rights, powers, duties, and obligations, and subject to the same restrictions, limitations, and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties to the Senior Indenture, provided that such bank, trust company, or other person is legally empowered to accept such trust.

***Trustee Protected in Relying Upon Resolutions, Etc.*** The resolutions, opinions, certificates, and other instruments provided for in the Senior Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein, and the Trustee shall not be required to make any independent investigation in connection therewith. Such resolutions, opinions, certificates, and other instruments shall be full warrant, protection, and authority to the Trustee for the release of property and the withdrawal of cash under the Senior Indenture. Except as provided in the Senior Indenture, the Trustee

shall not be under any responsibility to seek the approval of any expert for any of the purposes expressed in the Senior Indenture; provided however, that nothing contained in the Senior Indenture shall alter the Trustee's obligations or immunities provided by statutory, constitutional, or common law with respect to the approval of independent experts who may furnish opinions, certificates, or opinions of Counsel to the Trustee pursuant to any provisions of the Senior Indenture.

### **Holidays**

If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in the Senior Indenture, shall be a legal holiday or a day on which banking institutions in the city in which the principal office of the Trustee are located are authorized or required by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day which is not a legal holiday or a day on which such banking institutions are authorized or required by law to remain closed, with the same force and effect as if done on the nominal date provided in the Senior Indenture.

### **No Recourse Against Officers and Agents**

Pursuant to §11-57-209 of the Supplemental Act, if a member of the Board, or any officer or agent of the District acts in good faith, no civil recourse shall be available against such member, officer, or agent for payment of the principal, interest or prior redemption premiums on the Bonds. Such recourse shall not be available either directly or indirectly through the Board or the District, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise. By the acceptance of the Bonds and as a part of the consideration of their sale or purchase, any person purchasing or selling such Bond specifically waives any such recourse.

### **Conclusive Recital**

Pursuant to §11-57-210 of the Supplemental Act, the Bonds shall contain a recital that they are issued pursuant to certain provisions of the Supplemental Act. Such recital shall be conclusive evidence of the validity and the regularity of the issuance of the Bonds after their delivery for value.

### **Limitation of Actions**

Pursuant to §11-57-212 of the Supplemental Act, no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization or issuance of the Bonds shall be commenced more than thirty days after the adoption of the Bond Resolution.

### **Electronic Storage**

The parties to the Senior Indenture agree that the transactions described in the Senior Indenture may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files, and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action, or suit in the appropriate court of law.

### **Execution in Counterparts**

The Senior Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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## **APPENDIX E**

### **SELECTED PROVISIONS OF THE SUBORDINATE INDENTURE**

Set forth below are summaries of certain provisions of the Subordinate Indenture. These summaries are in addition and complementary to those found elsewhere in this Official Statement. Reference is made to the Subordinate Indenture for a complete recital of its terms, copies of which are available from the Underwriter during the period of the initial offering of the Bonds.

#### **Covenant to Impose Subordinate Required Mill Levy**

For the purpose of paying the principal of, premium if any, and interest on the Bonds the District covenants to cause to be levied on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in each of the years 2022 to 2048 (for collection in 2049), inclusive in the amount of the Subordinate Required Mill Levy. Nothing in the Subordinate Indenture shall be construed to require the District to levy an ad valorem property tax in an amount in excess of the Subordinate Required Mill Levy.

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

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

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

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

#### **Tax Matters**

The District covenants for the benefit of the Owners that it will not take any action or omit to take any action with respect to the Bonds, any funds of the District, or any facilities financed with the proceeds of the Bonds, if such action or omission (i) would cause the interest on the Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code, (ii) would cause interest on the Bonds to lose its exclusion from individual federal alternative minimum taxable income as defined in Section 55(b)(2) of the Code, or (iii) would cause interest on the Bonds to lose its exclusion from Colorado taxable income or Colorado alternative minimum taxable income under present Colorado law.

In the event that at any time the District is of the opinion that for purposes of the Subordinate Indenture it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee or held by the District under the Subordinate Indenture, the District shall so restrict or limit the yield on such investment or shall so instruct the Trustee in a detailed certificate, and the Trustee shall take such action as may be necessary in accordance with such instructions.



The District specifically covenants to comply with the provisions and procedures of the Tax Certificate.

The District further covenants to pay from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed, or final Treasury Regulations as may be applied to the Bonds from time to time. The payment of such rebate amounts as required by the Subordinate Indenture supersedes all other provisions of the Subordinate Indenture concerning the deposit and transfer of interest earnings to or from any other fund or account. Moneys set aside to pay such rebate amounts pursuant to the Subordinate Indenture are not subject to any lien created under the Subordinate Indenture for the benefit of the Owners. The covenant shall survive the payment in full or the defeasance of the Bonds.

The covenants contained in the Subordinate Indenture shall remain in full force and effect until the date on which all obligations of the District in fulfilling such covenants under the Code and Colorado law have been met, notwithstanding the payment in full or defeasance of the Bonds.

***Use of Interest Income.*** The interest income derived from the investment and reinvestment of any moneys in any fund or account held by the Trustee under the Subordinate Indenture shall be credited to the fund or account from which the moneys invested were derived.

See also “TAX MATTERS” in the body of this Official Statement.

#### **Additional Covenants and Agreements**

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

- The District shall not dissolve, merge, or otherwise alter its corporate structure in any manner or to any extent as might materially adversely affect the security provided for the payment of the Bonds, and will continue to operate and manage the District and its facilities in an efficient and economical manner in accordance with all applicable laws, rules, and regulations; provided however, that the foregoing shall not prevent the District from dissolving pursuant to the provisions of the Act.
- At least once a year the District will cause an audit to be performed of the records relating to its revenues and expenditures, and the District shall use its reasonable efforts to have such audit report completed no later than September 30 of the calendar year after the calendar year which is the subject of such audit. The foregoing covenant shall apply notwithstanding any state law audit exemptions that may exist. In addition, at least once a year in the time and manner provided by law, the District will cause a budget to be prepared and adopted. Copies of the budget and any audit will be filed and recorded in the places, time, and manner provided by law.
- The District will carry general liability, public officials liability, and such other forms of insurance on insurable District property upon the terms and conditions, in such amounts, and issued by recognized insurance companies, as in the judgment of the District will protect the District and its operations.
- Each District official or other person having custody of any District funds or responsible for the handling of such funds, shall be bonded or insured against theft or defalcation at all times.



- In the event any ad valorem taxes are not paid when due, the District shall diligently cooperate with the appropriate county treasurer to enforce the lien of such unpaid taxes against the property for which the taxes are owed.
- The District will not amend or supplement any of the documents pertaining to the Series 2022A Senior Bonds in any way which (i) alters the amortization of the principal of such Series 2022A Senior Bonds, or (ii) increases the rate or rates of interest borne by the Series 2022A Senior Bonds, except upon the prior written consent of the Consent Parties with respect to 100% in aggregate principal amount of the Bonds.

### **Additional Bonds**

***In General.*** After issuance of the Bonds, no Additional Bonds may be issued except in accordance with the provisions of the Subordinate Indenture. Nothing in the Subordinate Indenture shall affect or restrict the right of the District to issue or incur obligations which are not Additional Bonds under the Subordinate Indenture.

***Series 2022A Senior Bonds.*** The District may issue the Series 2022A Senior Bonds at such time or times and on such terms and conditions as may be determined by the District without compliance with any of the other terms and conditions of the Subordinate Indenture.

***Permitted Refunding Bonds.*** The District may issue Permitted Refunding Bonds at such time or times, in such amounts, and on such terms and conditions as may be determined by the District in its absolute discretion.

***Issuance by Consent.*** Except as provided above, the District may issue Additional Bonds only if the Consent Parties with respect to 100% in aggregate principal amount of the Bonds then Outstanding consent to the issuance of such Additional Bonds.

### **Discharge of the Lien of the Indenture**

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

Any Bond shall, prior to the maturity or prior redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in the Subordinate Indenture if, for the purpose of paying such Bond (i) there shall have been deposited with the Trustee an amount sufficient, without investment, to pay the principal of, premium if any, and interest on such Bond as the same becomes due at maturity or upon one or more designated prior redemption dates, or (ii) there shall have been placed in escrow and in trust with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Federal Securities in which such amount may be invested) to pay the principal of, premium if any, and interest on such Bond, as the same becomes due at maturity or upon one or more designated prior

redemption dates. The Federal Securities in any such escrow shall not be subject to redemption or prepayment at the option of the issuer, and shall become due at or prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the District and such bank at the time of the creation of the escrow, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. The sufficiency of any such escrow funded with Federal Securities shall be determined by a Certified Public Accountant.

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

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

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

***Continuing Role as Bond Registrar and Paying Agent.*** Notwithstanding the defeasance of the Bonds prior to maturity and the discharge of the Subordinate Indenture as provided in the Subordinate Indenture, the Trustee shall continue to fulfill its obligations under the Subordinate Indenture until the Bonds are fully paid, satisfied, and discharged.

## **Default and Remedies**

***Events of Default.*** 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 Subordinate Indenture (whatever the reason for such event or condition and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, rule, regulation, or order of any court or any administrative or governmental body), and there shall be no default or Event of Default under the Subordinate Indenture except as provided in the Subordinate Indenture:

- (a) The District fails or refuses to impose the Subordinate Required Mill Levy or to apply the Subordinate Pledged Revenue as required by the Subordinate Indenture;
- (b) The District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Subordinate Indenture or the Bond Resolution, other than as described in the Subordinate Indenture, and fails to remedy the same after notice thereof pursuant to the Subordinate Indenture; or

- (c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds.

WITHOUT LIMITING THE FOREGOING, AND NOTWITHSTANDING ANY OTHER PROVISION CONTAINED IN THE SUBORDINATE INDENTURE, THE DISTRICT ACKNOWLEDGES AND AGREES THAT THE APPLICATION OF ANY PORTION OF THE SUBORDINATE PLEDGED REVENUE TO ANY PURPOSE OTHER THAN DEPOSIT WITH THE TRUSTEE IN ACCORDANCE WITH THE PROVISIONS OF THE SUBORDINATE INDENTURE CONSTITUTES A VIOLATION OF THE TERMS OF THE SUBORDINATE INDENTURE AND A BREACH OF THE COVENANTS MADE UNDER THE SUBORDINATE INDENTURE FOR THE BENEFIT OF THE OWNERS OF THE BONDS, WHICH SHALL ENTITLE THE TRUSTEE TO PURSUE, ON BEHALF OF THE OWNERS OF THE BONDS, ALL AVAILABLE ACTIONS AGAINST THE DISTRICT IN LAW OR IN EQUITY, AS MORE PARTICULARLY PROVIDED IN THE SUBORDINATE INDENTURE. THE DISTRICT FURTHER ACKNOWLEDGES AND AGREES THAT THE APPLICATION OF SUBORDINATE PLEDGED REVENUE IN VIOLATION OF THE COVENANTS OF THE SUBORDINATE INDENTURE WILL RESULT IN IRREPARABLE HARM TO THE OWNERS OF THE BONDS. IN NO EVENT SHALL ANY PROVISION OF THE SUBORDINATE INDENTURE BE INTERPRETED TO PERMIT THE DISTRICT TO RETAIN ANY PORTION OF THE SUBORDINATE PLEDGED REVENUE.

It is acknowledged that due to the limited nature of the Subordinate Pledged Revenue, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default under the Subordinate Indenture. Further, in the event that any amount of principal of or interest on the Bonds remains unpaid after the application of all Pledged Revenue available therefor on the Termination Date of the Bonds, December 31, 2049, the Bonds and the lien of the Subordinate Indenture securing payment thereof shall be deemed discharged, the estate and rights granted by the Subordinate Indenture shall cease, terminate, and be void, and upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of principal of or interest on the Bonds remaining unpaid.

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

- ***Receivership.*** Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the Subordinate Indenture to, the Trustee.
- ***Suit for Judgment.*** The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Act, the Bonds, the Bond Resolution, the Subordinate Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.
- ***Mandamus or Other Suit.*** The Trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the Owners.

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

If any Event of Default under the Subordinate Indenture shall have occurred and if requested by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Subordinate Indenture as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Owners; provided that the Trustee at its option shall be indemnified as provided in the Subordinate Indenture.

Notwithstanding anything in the Subordinate Indenture to the contrary, acceleration of the Bonds shall not be an available remedy for an Event of Default, nor shall the District be liable for consequential or punitive damages. Nothing in the Subordinate Indenture shall be construed as a waiver of the Colorado Governmental Immunity Act (Title 24, Article 10, C.R.S.).

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

Notwithstanding any other provision in the Subordinate Indenture to the contrary, if an Event of Default occurs and shall be continuing while an Event of Default exists and is continuing with respect to the Senior Bonds under the Series 2022A Senior Indenture, the Owners or Consent Parties of the Senior Bonds shall control all proceedings and directions to be taken in connection with the exercise of any remedies and taking of any actions by the Trustee under the Senior Bond Indenture and under the Subordinate Indenture.

***Rights and Remedies of Owners.*** No Owner of any Bond shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Subordinate Indenture or for the execution of any trust of the Subordinate Indenture or for the appointment of a receiver or any other remedy under the Subordinate Indenture, unless a default has occurred of which the Trustee has been notified as provided in the Subordinate Indenture, or of which under the Subordinate Indenture it is deemed to have notice, and unless such default shall have become an Event of Default and the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted in the Subordinate Indenture or to institute such action, suit, or proceedings in their own name, nor unless they have also offered to the Trustee indemnity as provided in the Subordinate Indenture, nor unless the Trustee shall thereafter fail or refuse to exercise the powers granted by the Subordinate Indenture, or to institute such action, suit, or proceeding in its own name; and such notification, request, and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to any action or cause of action for the enforcement of the Subordinate Indenture, or for the appointment of a receiver or for any other remedy under the Subordinate Indenture; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of the Subordinate Indenture by his, her, its, or their action, or to enforce any right under the Subordinate Indenture except in the manner provided in the Subordinate Indenture and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner provided in the Subordinate Indenture and for the equal benefit of the Owners of all Bonds then Outstanding.

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

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

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

***Delay or Omission No Waiver.*** No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by the Subordinate Indenture may be exercised from time to time and as often as may be deemed expedient.

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

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

***Waivers of Events of Default.*** The Trustee may in its discretion waive any Event of Default under the Subordinate Indenture and its consequences, and shall do so upon the written request of the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding; provided however, that there shall not be waived without the consent of the Consent Parties with respect to one hundred percent (100%) of the Bonds then Outstanding as to which the Event of Default exists any Event of Default under the Subordinate Indenture. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then in every such case the District, the Trustee, and the Owners shall be restored



to their former positions and rights under the Subordinate Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

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

No default under the Subordinate Indenture shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given by the Trustee or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds Outstanding to the District, and the District shall have had thirty (30) days after receipt of such notice to correct said default or cause said default to be corrected, and shall not have corrected said default or caused said default to be corrected within the applicable period; provided however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted within the applicable period and diligently pursued thereafter until the default is corrected.

### **Supplemental Indentures**

The District and the Trustee may enter one or more amendments or supplements to the Subordinate Indenture (“Supplemental Indentures”) for various purposes described after the issuance of the Bonds.

***Supplemental Indentures Not Requiring Consent.*** Subject to the provisions of the Subordinate Indenture, the District and the Trustee may, without the consent of or notice to the Owners or Consent Parties, enter into such indentures supplemental to the Subordinate Indenture, which supplemental indentures shall thereafter form a part of the Subordinate Indenture, for any one or more of the following purposes:

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

***Supplemental Indentures Requiring Consent.*** Except for supplemental indentures delivered pursuant to the Subordinate Indenture, and subject to the provisions of the Subordinate Indenture, the Consent Parties with respect to a majority (or for modifications of provisions of the Subordinate Indenture which require the consent of a percentage of Owners or Consent Parties higher than a majority, such higher percentage) in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the District and the Trustee of such indenture or indentures



supplemental to the Subordinate Indenture as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Subordinate Indenture; provided however, that without the consent of the Consent Parties with respect to all the Outstanding Bonds affected thereby, nothing in the Subordinate Indenture contained shall permit, or be construed as permitting:

- a change in the terms of the maturity of any Outstanding Bond, in the principal amount of any Outstanding Bond, in the optional or mandatory redemption provisions applicable thereto, or the rate of interest thereon;
- an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of or interest on the Bonds when due;
- a privilege or priority of any Bond or any interest payment over any other Bond or interest payment; or
- a reduction in the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners or Consent Parties is required for any such supplemental indenture.

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

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

***Execution of Supplemental Indentures.*** The Trustee is authorized to join with the District in the execution of any such supplemental indenture and to make further agreements and stipulations which may be contained therein; provided that, prior to the execution of any such supplemental indenture (whether under the Subordinate Indenture) the Trustee and the District may require and shall be fully protected in relying upon an opinion of nationally recognized municipal bond Counsel experienced in matters arising under Section 103 of the Code and acceptable to the Trustee and the District, to the effect that: (i) the supplement will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds; (ii) the District is permitted by the provisions of the Subordinate Indenture to enter into the supplement; and (iii) the supplement is a valid and binding obligation of the District, enforceable in accordance with its terms, subject to matters permitted by the Subordinate Indenture.

## **Concerning Trustee**

***Acceptance of Trusts and Duties of Trustee.*** The Trustee accepts by the Subordinate Indenture the trusts imposed upon it by the Subordinate Indenture and agrees to perform said trusts, but only upon and subject to the following express terms and conditions, and no implied covenants or obligations shall be read into the Subordinate Indenture against the Trustee.

The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of any Event of Default which may have occurred, shall undertake to perform such duties and only such duties as are specifically set forth in the Subordinate Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise such of the rights and powers vested in it by the Subordinate Indenture and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs in exercising the rights or remedies or performing any of its duties under the Subordinate Indenture.

The Trustee may execute any of the trusts or powers of the Subordinate Indenture and perform any of its duties by or through attorneys, agents, receivers, or employees, but shall be answerable for the conduct of the same in accordance with the standards specified in the Subordinate Indenture, and shall be entitled to act upon the advice or an opinion of Counsel concerning all matters of trust of the Subordinate Indenture and the duties under the Subordinate Indenture, and may in all cases pay (and be reimbursed as provided in the Subordinate Indenture) such compensation to all such attorneys, agents, receivers, and employees as may reasonably be employed in connection with the trusts of the Subordinate Indenture. The Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in good faith in reliance upon the advice or opinion of such attorneys, agents, receivers, or employees chosen with due care.

The Trustee shall not be responsible for any recital in the Subordinate Indenture or in the Bonds, or for the recording or filing of the Subordinate Indenture, or for the validity of the execution by the District of the Subordinate Indenture or of any supplements to the Subordinate Indenture or instruments of further assurance, or for the sufficiency of the security for the Bonds, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions, or agreements on the part of the District, except as expressly set forth in the Subordinate Indenture; but the Trustee may require of the District full information and advice as to the performance of the covenants, conditions, and agreements aforesaid. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with the Subordinate Indenture.

The Trustee makes no representations as to the value or condition of the Trust Estate or any part thereof, or as to the validity or sufficiency of the Subordinate Indenture or of the Bonds. The Trustee shall not be accountable for the use or application of any Bonds or the proceeds thereof (except for funds or investments held by the Trustee) or of any money paid to or upon the order of the District under any provision of the Subordinate Indenture. The Trustee, in its individual or any other capacity, may become the Owner of the Bonds with the same rights which it would have if not the Trustee.

The Trustee may conclusively rely and shall be protected in acting or refraining from acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. The Trustee may rely conclusively on any such certificate or other paper or document and shall not be required to make any independent investigation in connection therewith. Any action taken by the Trustee pursuant to the Subordinate Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Registered Owner of any Bonds shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in place thereof

As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper, or proceedings, or whenever in the administration of the Subordinate Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering, or omitting any action under the Subordinate Indenture, the Trustee shall be entitled to conclusively rely upon a certificate signed on behalf of the District by the District Representative or the District's President or Vice President or such other person as may be designated for such purpose by a certified resolution of the Board as sufficient evidence of the facts therein contained, and, prior to the occurrence of a default of which the Trustee has

been notified as provided in the Subordinate Indenture or of which by the Subordinate Indenture it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction, or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

The permissive right of the Trustee to do things enumerated in the Subordinate Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct, and shall not be answerable for any negligent act of its attorneys, agents, or receivers which have been selected by the Trustee with due care.

The Trustee shall not be required to take notice or be deemed to have notice of any default under the Subordinate Indenture unless the Trustee shall be specifically notified in writing of such default by the District or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding. All notices or other instruments required by the Subordinate Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee, and in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid.

All moneys received by the Trustee shall, until used or applied or invested as provided in the Subordinate Indenture, be held in trust in the manner and for the purposes for which they were received but need not be segregated from other funds except to the extent required by the Subordinate Indenture or by law. The Trustee shall not be under any liability to invest any moneys received under the Subordinate Indenture except as provided in the Subordinate Indenture.

At any and all reasonable times the Trustee or its duly authorized agents, attorneys, experts, engineers, accountants, and representatives shall have the right, but shall not be required, to inspect any and all books, papers, and records of the District pertaining to the Bonds and the Subordinate Pledged Revenue, and to take such memoranda from and in regard thereto as may be desired.

Notwithstanding anything in the Subordinate Indenture to the contrary, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, or any action whatsoever within the purview of the Subordinate Indenture, any showings, certificates, opinions, appraisals, or other information or corporate action or evidence thereof, in addition to that by the terms of the Subordinate Indenture required, as a condition of such action by the Trustee, as may be deemed desirable for the purpose of establishing the right of the District to the authentication of any Bonds, or the taking of any other action by the Trustee.

All records of the Trustee pertaining to the Bonds shall be open during reasonable times for inspection by the District.

The Trustee shall not be required to advance its own funds, and before taking any action to enforce the terms of the Subordinate Indenture, the Trustee may require that indemnity satisfactory to it be furnished to it for the reimbursement of all costs and expenses which it may incur, including attorney's fees, and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct, by reason of any action so taken.

The Trustee shall not be required to give any bond or surety in respect to the execution of its trusts and powers under the Subordinate Indenture or otherwise with respect to the Bonds.

The Trustee makes no representations as to the validity or sufficiency of the Subordinate Indenture or the Bonds, assumes no responsibility for the correctness of the same, and shall incur no responsibility in respect to such validity or sufficiency.

***Fees and Expenses of the Trustee.*** The Trustee shall be entitled to payment and reimbursement of its fees and expenses for ordinary services rendered under the Subordinate Indenture (which compensation is not intended by the parties to the Subordinate Indenture to be limited by any provision of law in regard to the compensation of a trustee of an express trust) as and when the same become due, and all advances, agent, and counsel fees and other ordinary expenses reasonably and necessarily made or incurred by the Trustee in connection with such ordinary services. The Trustee reserves the right to renegotiate its current fees for ordinary services to correspond with changing economic conditions, inflation and changing requirements relating to the Trustee's ordinary services.

In the event that it should become necessary for the Trustee to perform extraordinary services, the Trustee shall be entitled to reasonable additional compensation therefor and to reimbursement for reasonable and necessary extraordinary expenses in connection therewith; provided that if such extraordinary services or extraordinary expenses are occasioned by the negligence or willful misconduct of the Trustee it shall not be entitled to compensation or reimbursement therefore.

***Resignation or Replacement of Trustee.*** The Trustee may resign, subject to the appointment of a successor, by giving thirty (30) days' notice of such resignation to the District and to all Owners of Bonds specifying the date when such resignation shall take effect. Such resignation shall take effect on the date specified in such notice unless a successor shall have been previously appointed as provided after in the Subordinate Indenture, in which event such resignation shall take effect immediately on the appointment of such successor. The Trustee may petition the courts to appoint a successor in the event no such successor shall have been previously appointed. The Trustee may be removed at any time by an instrument in writing, executed by the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding. Notwithstanding the foregoing, any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

In case the Trustee shall at any time resign or be removed or otherwise become incapable of acting, a successor may be appointed by the District so long as it is not in default under the Subordinate Indenture; otherwise by the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding by an instrument or concurrent instruments signed by such Consent Parties, or their attorneys-in-fact appointed; provided however, that even if the District is in default under the Subordinate Indenture it may appoint a successor until a new successor shall be appointed by the District or the Consent Parties as authorized in the Subordinate Indenture. The District, upon making such appointment, shall forthwith give notice thereof to the Owners by mailing to the address shown on the registration books maintained by the Trustee, which notice may be given concurrently with the notice of resignation given by any resigning Trustee. Any successor so appointed by the District shall immediately and without further act be superseded by a successor appointed in the manner above provided by the District or the Consent Parties, as applicable.

Every successor Trustee shall always be a commercial bank or trust company in good standing, qualified to act under the Subordinate Indenture, and having a capital and surplus of not less than \$50,000,000, if there be such an institution willing, qualified, and able to accept the trust upon reasonable and customary terms. Any successor appointed under the Subordinate Indenture shall execute, acknowledge, and deliver to the District an instrument accepting such appointment under the Subordinate Indenture, and thereupon such successor shall, without any further act, deed, or conveyance, become vested with all estates, properties, rights, powers, and trusts of its predecessor in the trust under the Subordinate Indenture with like effect as if originally named as the Trustee under the Subordinate Indenture, and thereupon the duties and obligations of the predecessor shall cease and terminate; but the Trustee retiring shall, nevertheless, on the written demand of its successor and upon the payment of the fees and expenses owed to the predecessor, execute and deliver an instrument conveying and transferring to such successor, upon the trusts expressed in the Subordinate Indenture, all the estates, properties, rights, powers, and trusts of the predecessor, who shall duly assign, transfer, and deliver to the successor all properties and moneys held by it under the Subordinate Indenture. If any instrument from the District is required by any successor

for more fully and certainly vesting in and confirming to it the estates, properties, rights, powers, and trusts of the predecessor, those instruments shall be made, executed, acknowledged, and delivered by the District on request of such successor.

The instruments evidencing the resignation or removal of the Trustee and the appointment of a successor under the Subordinate Indenture, together with all other instruments provided for in the Subordinate Indenture, shall be filed or recorded by the successor Trustee in each recording office, if any, where the Subordinate Indenture shall have been filed or recorded.

***Conversion, Consolidation, or Merger of Trustee.*** Anything in the Subordinate Indenture to the contrary notwithstanding, any bank or trust company or other person into which the Trustee or its successor may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business as a whole, shall be the successor of the Trustee under the Subordinate Indenture with the same rights, powers, duties, and obligations, and subject to the same restrictions, limitations, and liabilities as its predecessor, all without the execution or filing of any papers or any further act on the part of any of the parties to the Subordinate Indenture, provided that such bank, trust company, or other person is legally empowered to accept such trust.

***Trustee Protected in Relying Upon Resolutions, Etc.*** The resolutions, opinions, certificates, and other instruments provided for in the Subordinate Indenture may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein, and the Trustee shall not be required to make any independent investigation in connection therewith. Such resolutions, opinions, certificates, and other instruments shall be full warrant, protection, and authority to the Trustee for the release of property and the withdrawal of cash under the Subordinate Indenture. Except as provided in the Subordinate Indenture, the Trustee shall not be under any responsibility to seek the approval of any expert for any of the purposes expressed in the Subordinate Indenture; provided however, that nothing contained in the Subordinate Indenture shall alter the Trustee's obligations or immunities provided by statutory, constitutional, or common law with respect to the approval of independent experts who may furnish opinions, certificates, or opinions of Counsel to the Trustee pursuant to any provisions of the Subordinate Indenture.

## **Holidays**

If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in the Subordinate Indenture, shall be a legal holiday or a day on which banking institutions in the city in which the principal office of the Trustee are located are authorized or required by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day which is not a legal holiday or a day on which such banking institutions are authorized or required by law to remain closed, with the same force and effect as if done on the nominal date provided in the Subordinate Indenture.

## **No Recourse Against Officers and Agents**

Pursuant to §11-57-209 of the Supplemental Act, if a member of the Board, or any officer or agent of the District acts in good faith, no civil recourse shall be available against such member, officer, or agent for payment of the principal, interest or prior redemption premiums on the Bonds. Such recourse shall not be available either directly or indirectly through the Board or the District, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise. By the acceptance of the Bonds and as a part of the consideration of their sale or purchase, any person purchasing or selling such Bond specifically waives any such recourse.

### **Conclusive Recital in the Bonds**

Pursuant to §11-57-210 of the Supplemental Act, the Bonds shall contain a recital that they are issued pursuant to certain provisions of the Supplemental Act. Such recital shall be conclusive evidence of the validity and the regularity of the issuance of the Bonds after their delivery for value.

### **Limitation of Actions**

Pursuant to §11-57-212 of the Supplemental Act, no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization or issuance of the Bonds shall be commenced more than thirty days after the adoption of the Bond Resolution.

### **Execution in Counterparts**

The Subordinate Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

### **Electronic Storage**

The parties to the Subordinate Indenture agree that the transactions described in the Subordinate Indenture may be conducted and related documents may be stored by electronic means. Copies, telecopies, facsimiles, electronic files, and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action, or suit in the appropriate court of law.

\* \* \*



## **APPENDIX F**

### **DTC BOOK-ENTRY SYSTEM**

The information in this appendix concerning The Depository Trust Company, New York, New York, and its book-entry system has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities subject to the DTC book-entry system and certain related matters, but the Issuer takes no responsibility for the accuracy or completeness of such information. Beneficial Owners should confirm the following information with DTC or the DTC Participants.

None of the Issuer, the Senior Indenture Trustee, the Subordinate Indenture Trustee or the Underwriter has any responsibility or obligation to any Beneficial Owner of the Bonds with respect to (1) the accuracy of any records maintained by DTC or any DTC Participant, (2) the distribution by DTC or any DTC Participant of any notice that is permitted or required to be given to the Owners of the Bonds under the applicable Indenture, (3) the payment by DTC or any DTC Participant of any amount received under the applicable Indenture with respect to the Bonds, (4) any consent given or other action taken by DTC or its nominee as the Owner of the Bonds or (5) any other related matter.

DTC will act as securities depository for the Bonds. The Bonds will be issued in fully registered form and 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 will be issued for each Series and maturity of the Bonds, in the aggregate principal amount due on the maturity date, 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, as amended. 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 <http://www.dtcc.com>. The Issuer undertakes no responsibility for and makes no representations as to the accuracy or completeness of the content of such material contained on such website as described in the preceding sentence, including, but not limited to, updates of such information or links to other internet sites accessed through the aforementioned website.

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 the 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 does not cause 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, defaults and proposed amendments to the Indentures. 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 applicable Trustee and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments with respect to 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 applicable Trustee on the 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 Participants and not of DTC, the applicable Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments with respect to the Bonds to Cede & Co. (or to such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the applicable 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 Senior Indenture 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) with respect to the Bonds. In such event, Bond certificates will be printed and delivered to DTC.

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**APPENDIX G**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

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**SWEETGRASS METROPOLITAN DISTRICT NO. 2  
(IN THE CITY OF DACONO, WELD COUNTY, COLORADO)**

**\$8,150,000  
LIMITED TAX GENERAL OBLIGATION  
REFUNDING  
SENIOR BONDS, SERIES 2022A**

**\$1,175,000  
LIMITED TAX GENERAL OBLIGATION  
REFUNDING  
SUBORDINATE BONDS, SERIES 2022B**

**CONTINUING DISCLOSURE CERTIFICATE**

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered as of June 16, 2022 by Sweetgrass Metropolitan District No. 2 (the “Issuer”) in connection with the issuance of the Sweetgrass Metropolitan District No. 2 Limited Tax General Obligation Refunding Senior Bonds, Series 2022A, in the aggregate principal amount of \$8,150,000 (the “2022A Senior Bonds”) and the Sweetgrass Metropolitan District No. 2 Limited Tax General Obligation Refunding Subordinate Bonds, Series 2022B, in the aggregate principal amount of \$1,175,000 (the “2022B Subordinate Bonds,” and together with the 2022A Senior Bonds, the “Bonds”). The 2022A Senior Bonds are being issued pursuant to an Indenture of Trust (Senior) between the Issuer and UMB Bank, n.a., Denver, Colorado (the “Trustee”) dated as of June 1, 2022 (the “2022A Senior Indenture”). The 2022B Subordinate Bonds are being issued pursuant to an Indenture of Trust between the Issuer and the Trustee dated as of June 1, 2022 (the “2022B Subordinate Indenture,” and together with the 2022A Senior Indenture, the “Indentures”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the “SEC”).

SECTION 2. Definitions. In addition to the definitions set forth in the Indentures or parenthetically defined herein, which apply to any capitalized terms used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“Dissemination Agent” shall mean, initially, the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB in compliance with the Rule.

“Material Events” shall mean any of the events listed in Section 5 of this Disclosure Certificate.

“MSRB” shall mean the Municipal Securities Rulemaking Board. As of the date hereof, the MSRB’s required method of filing is electronically via its Electronic Municipal Market Access (EMMA) system available on the Internet at <http://emma.msrb.org>.

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with an offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

### SECTION 3. Provision of Annual Reports.

a. The Issuer shall, or shall cause the Dissemination Agent to, not later than nine (9) months following the end of the Issuer’s fiscal year of each year, commencing nine (9) months following the end of the Issuer’s fiscal year ending December 31, 2021, provide to the MSRB (in an electronic format as prescribed by the MSRB), an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than five (5) business days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report.

b. If the Issuer is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall file or cause to be filed with the MSRB a notice in substantially the form attached as Exhibit “A.”

c. The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the appropriate electronic format prescribed by the MSRB;

(2) if the Dissemination Agent is other than the Issuer, send written notice to the Issuer at least 45 days prior to the date the Annual Report is due stating that the Annual Report is due as provided in Section 3(a) hereof; and

(3) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the entities to which it was provided.

SECTION 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the following:

a. A copy of its annual financial statements prepared in accordance with generally accepted accounting principles audited by a firm of certified public accountants. If audited annual financial statements are not available by the time specified in Section 3(a) above, unaudited financial statements will be provided as part of the Annual Report and audited financial statements will be provided when and if available.

b. An update of the type of information identified in Exhibit “B” hereto, which is contained in the tables in the Official Statement with respect to the Bonds (excluding projections, forecasts and budgeted information which are not required to be updated).

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB’s Internet Web Site or filed with the SEC. The Issuer shall clearly identify each such document incorporated by reference.

SECTION 5. Reporting of Material Events. The Issuer shall file or cause to be filed with the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, notice of any of the events listed below with respect to the Bonds:

- a. Principal and interest payment delinquencies;
- b. Non-payment related defaults, *if material*;
- c. Unscheduled draws on debt service reserves reflecting financial difficulties;
- d. Unscheduled draws on credit enhancements reflecting financial difficulties;
- e. Substitution of credit or liquidity providers or their failure to perform;
- f. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- g. Modifications to rights of bondholders, *if material*;
- h. Bond calls, *if material*, and tender offers;
- i. Defeasances;
- j. Release, substitution or sale of property securing repayment of the Bonds, *if material*;
- k. Rating changes;

l. Bankruptcy, insolvency, receivership or similar event of the obligated person;<sup>1</sup>

m. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, *if material*;

n. Appointment of a successor or additional trustee or the change of name of a trustee, *if material*;

o. Incurrence of a Financial Obligation of the obligated person, *if material*, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, *if material*; and

p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an obligated person, any of which reflect financial difficulties.

SECTION 6. Format; Identifying Information. All documents provided to the MSRB pursuant to this Disclosure Certificate shall be in the format prescribed by the MSRB and accompanied by identifying information as prescribed by the MSRB.

As of the date of this Disclosure Certificate, all documents submitted to the MSRB must be in portable document format (PDF) files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. In addition, such PDF files must be word-searchable, provided that diagrams, images and other non-textual elements are not required to be word-searchable.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

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<sup>1</sup> For the purposes of the event identified in subparagraph (b)(5)(i)(C)(12) of the Rule, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and official or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

SECTION 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist the Issuer in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate and may waive any provision of this Disclosure Certificate, without the consent of the holders and beneficial owners of the Bonds, if such amendment or waiver does not, in and of itself, cause the undertakings herein (or action of any Participating Underwriter in reliance on the undertakings herein) to violate the Rule, but taking into account any subsequent change in or official interpretation of the Rule. The Issuer will provide notice of such amendment or waiver to the MSRB.

SECTION 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

SECTION 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default under the Indentures, and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATE: June 16, 2022

SWEETGRASS METROPOLITAN DISTRICT NO. 2

By: \_\_\_\_\_  
President

**EXHIBIT “A”**

**NOTICE OF FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: Sweetgrass Metropolitan District No. 2

Name of Bond Issue: Sweetgrass Metropolitan District No. 2 Limited Tax General Obligation Refunding Senior Bonds, Series 2022A, in the aggregate principal amount of \$8,150,000 and Sweetgrass Metropolitan District No. 2 Limited Tax General Obligation Refunding Subordinate Bonds, Series 2022B, in the aggregate principal amount of \$1,175,000

CUSIP: \_\_\_\_\_

Date of Issuance: June 16, 2022

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed on June 16, 2022, by the Issuer. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_, \_\_\_\_\_

SWEETGRASS METROPOLITAN DISTRICT  
NO. 2

By: \_\_\_\_\_  
Its: \_\_\_\_\_



## **EXHIBIT “B”**

### **INDEX OF OFFICIAL STATEMENT TABLES TO BE UPDATED**

Assessed Valuation and Statutory “Actual” Value of Taxable Property in the District

2021 Assessed Valuation and Statutory “Actual” Value of Classes of Taxable Property in the District

Historical Mill Levies and Property Tax Collections for the District

Selected Debt Ratios of the District (only those portions of the table pertaining to the District’s direct debt)

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**APPENDIX H**

**FORM OF BOND COUNSEL OPINION  
FOR THE SERIES 2022A SENIOR BONDS**

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June 16, 2022

Sweetgrass Metropolitan District No. 2  
Dacono, Colorado

UMB Bank, n.a., as trustee  
Denver, Colorado

Wells Fargo Securities, LLC, as underwriter  
Denver, Colorado

**\$8,150,000**  
**Sweetgrass Metropolitan District No. 2**  
**(In the City of Dacono)**  
**Weld County, Colorado)**  
**General Obligation Limited Tax Refunding Bonds**  
**Series 2022A**

Ladies and Gentlemen:

We have acted as bond counsel to Sweetgrass Metropolitan District No. 2, in the City of Dacono, Weld County, Colorado (the “Issuer”) in connection with the issuance of the above-referenced bonds (the “Bonds”) pursuant to a resolution adopted by the Board of Directors (the “Board”) of the Issuer on April 28, 2022 (the “Resolution”) and an Indenture of Trust dated as of June 1, 2022 (the “Indenture”) between the Issuer and UMB Bank, n.a., as trustee (the “Trustee”). *Capitalized terms used and not defined herein shall have the meanings set forth in the Indenture.*

The Bonds are issuable as fully registered bonds, dated as of the date of their delivery, in minimum denominations of \$5,000 and integral multiples of \$1,000 in excess thereof. The Bonds mature, bear interest, are payable and are subject to redemption prior to maturity, in the manner and upon the terms set forth therein and in the Indenture.

The Indenture provides that the Bonds are limited tax general obligations of the Issuer and shall be secured by a pledge of the Pledged Revenue (subject to the exceptions and limitations provided in the Indenture), on a parity with any future Parity Bonds, and other sources provided therefor in the Indenture. The Bonds are further secured by a Debt Service Reserve Agreement between the District and Build America Mutual Assurance Company (the “Debt Service Reserve Agreement”).

We have examined the law and such certified proceedings and other instruments as we deem necessary to form an appropriate basis for us to render this opinion letter, including, without limitation, portions of the Internal Revenue Code of 1986, as amended (the “Code”) relevant to the opinions set forth in paragraph 6; Section 32-1-101 *et seq.*, Colorado Revised Statutes, as amended; Section 11-57-201 *et seq.*, Colorado Revised Statutes, as amended; an order and decree of the District Court for Weld County, Colorado issued on July 10, 2002, by an order and decree of the District Court for Weld County, Colorado

(the “County”), recorded in the records of the Weld County Clerk and Recorder July 29, 2002; a certified record of the results of an election of the eligible electors of the Issuer held on November 1, 2005; a certified transcript of the record of proceedings of the Board taken preliminary to and in connection with the authorization of the Bonds; a form of the Bonds; and certificates of the Issuer, specifically including a tax certificate, and of others delivered in connection with the issuance of the Bonds.

In our examination of such proceedings, certificates, consents and other instruments, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the accuracy and completeness of all documents submitted to us, the authenticity of all original documents and the conformity to authentic original documents of all documents submitted to us as copies (including telecopies). We also have assumed the authenticity and completeness of the foregoing certifications and accuracy of the statements of fact contained therein, on which we are relying, and have made no independent investigations thereof.

We have not been engaged and have not undertaken to consider the adequacy of the Pledged Revenue or other financial resources of the Issuer or its ability to provide for payment of the Bonds and we express no opinion herein as to such matters. We also express no opinion herein with respect to the accuracy, completeness or sufficiency of the Official Statement dated June 7, 2022 or other offering materials relating to the Bonds. As to factual matters, we have relied, without independent investigation, upon the representations of the Issuer, the Underwriter, the Trustee, and other parties contained in certified proceedings, including the Resolution and the Indenture, and in the aforesaid certificates and other instruments. We have also reviewed the opinion of White Bear Ankele Tanaka & Waldron, P.C., Centennial, Colorado, counsel to the Issuer, a copy of which opinion has been delivered to the Trustee.

Based on the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The Indenture has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms.

2. The Bonds have been duly authorized, executed and delivered by the Issuer and constitute valid and binding limited tax general obligations of the Issuer, payable solely from and to the extent of the Pledged Revenue and the other sources provided therefor in the Indenture, and are legally enforceable in accordance with their terms.

3. The Debt Service Reserve Agreement is enforceable against the District in accordance with its terms.

4. All taxable property of the Issuer is subject to an ad valorem tax levy at the rate and in the amount of the Required Mill Levy, for the purpose of paying the principal of and interest on the Bonds.

5. The Indenture creates a valid lien (but not necessarily an exclusive lien) on the Pledged Revenue and all right, title and interest of the Issuer in and to the Pledged Revenue have been validly assigned and pledged to the Trustee under the Indenture in accordance with Section 11-57-208, Colorado Revised Statutes, as amended, all subject to the exceptions and limitations provided in the Indenture.

6. Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the



accuracy of the certifications of the Issuer and continuing compliance by the Issuer with the requirements of the Code. Interest on the Bonds is not an item of preference for purposes of the federal alternative minimum tax.

7. Interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date hereof. Bond Counsel will express no opinion regarding other state or local tax consequences arising with respect to the Bonds, including whether interest on the Bonds is exempt from taxation under the laws of any jurisdiction other than the State of Colorado.

Except as provided in paragraph 6, Bond Counsel expresses no opinion regarding other federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

We understand that Build America Mutual Assurance Company has issued a municipal bond insurance policy and a municipal bond debt service reserve insurance policy relating to the Bonds. We express no opinion as to the validity or enforceability of such policies or the security afforded thereby.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of powers delegated to it by the United States Constitution; and while certain remedies and other provisions of the Indenture are subject to the aforesaid exceptions and limitations and, therefore, may not be enforceable in accordance with their respective terms, such unenforceability would not preclude the enforcement of the obligations of the Issuer to pay the principal of, and interest on, the Bonds from available Pledged Revenue and other sources provided therefor in the Indenture.

This opinion is issued as of the date hereof, and we assume no obligation to (i) monitor or advise you or any other person of any changes in the foregoing subsequent to the delivery hereof; (ii) update, revise, supplement or withdraw this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, regulation, or governmental agency guidance, or the interpretation of any of the foregoing, that may hereafter occur, or for any other reason whatsoever; or (iii) review any legal matters incident to the authorization, issuance, validity, and exemption from federal or state income tax of the Bonds, or the purposes to which the proceeds thereof are to be applied, after the date hereof. Furthermore, we express no opinion as to the validity or enforceability of any fees, charges or other revenue sources that are included in Pledged Revenue, other than the Required Mill Levy.

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

Our opinions represent our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and are not a guarantee of a result.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds or any other statements made in connection with any offer or sale of the Bonds.

Although we have rendered an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences. Purchasers of the Bonds should consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

This letter is furnished by us as bond counsel to the Issuer in connection with the issuance of the Bonds. No attorney-client relationship has existed or exists between us and anyone other than the Issuer in connection with the issuance of the Bonds by virtue of this letter.

Very truly yours,

**APPENDIX I**

**FORM OF BOND COUNSEL OPINION  
FOR THE SERIES 2022B SUBORDINATE BONDS**

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June 16, 2022

Sweetgrass Metropolitan District No. 2  
Dacono, Colorado

UMB Bank, n.a., as trustee  
Denver, Colorado

Wells Fargo Securities, LLC  
Denver, Colorado

**\$1,175,000**  
**Sweetgrass Metropolitan District No. 2**  
**(In the City of Dacono)**  
**Weld County, Colorado)**  
**Subordinate General Obligation Limited Tax Refunding Bonds**  
**Series 2022B**

Ladies and Gentlemen:

We have acted as bond counsel to Sweetgrass Metropolitan District No. 2, in the City of Dacono, Weld County, Colorado (the “Issuer”) in connection with the issuance of the above-referenced bonds (the “Bonds”), pursuant to a resolution adopted by the Board of Directors (the “Board”) of the Issuer on April 28, 2022 (the “Resolution”) and an Indenture of Trust (Subordinate) dated as of June 1, 2022 (the “Indenture”) between the Issuer and UMB Bank, n.a., as trustee (the “Trustee”). *Capitalized terms used and not defined herein shall have the meanings set forth in the Indenture.*

The Bonds are issuable as fully registered bonds, dated as of the date of their delivery, in minimum denominations of \$500,000 and integral multiples of \$1,000 in excess thereof. The Bonds mature, bear interest, are payable and are subject to redemption prior to maturity, in the manner and upon the terms set forth therein and in the Indenture. The Bonds are being issued exclusively to “financial institutions or institutional investors” within the meaning of the Special District Act, constituting Section 32-1-101 *et seq.*, Colorado Revised Statutes, as amended (the “Special District Act”).

The Indenture provides that the Bonds are limited tax general obligations of the Issuer and shall be secured solely by a pledge of the Subordinate Pledged Revenue (subject to the exceptions and limitations provided in the Indenture), and other sources provided therefor in the Indenture.

We have examined the law and such certified proceedings and other instruments as we deem necessary to form an appropriate basis for us to render this opinion letter, including, without limitation, portions of the Internal Revenue Code of 1986, as amended (the “Code”) relevant to the opinions set forth in paragraph 5, the Special District Act; Section 11-57-201 *et seq.*, Colorado Revised Statutes, as amended; an order and decree of the District Court for Weld County, Colorado issued on July 10, 2002, by an order and decree of the District Court for Weld County, Colorado (the “County”), recorded in the records of the Weld County Clerk and Recorder July 29, 2002; a certified record of the results of an election of the eligible electors of the Issuer held on November 1, 2005; a certified transcript of the record of proceedings of the

Board taken preliminary to and in connection with the authorization of the Bonds; a form of the Bonds; and certificates of the Issuer, specifically including a tax certificate, and of others delivered in connection with the issuance of the Bonds.

In our examination of such proceedings, certificates, consents and other instruments, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the accuracy and completeness of all documents submitted to us, the authenticity of all original documents and the conformity to authentic original documents of all documents submitted to us as copies (including telecopies). We also have assumed the authenticity and completeness of the foregoing certifications and accuracy of the statements of fact contained therein, on which we are relying, and have made no independent investigations thereof.

We have not been engaged and have not undertaken to consider the adequacy of the Subordinate Pledged Revenue or other financial resources of the Issuer or its ability to provide for payment of the Bonds and we express no opinion herein as to such matters. We also express no opinion herein with respect to the accuracy, completeness or sufficiency of the Official Statement dated June 7, 2022 or other offering materials relating to the Bonds. As to factual matters, we have relied, without independent investigation, upon the representations of the Issuer, the Underwriter, the Trustee, and other parties contained in certified proceedings, including the Resolution and the Indenture, and in the aforesaid certificates and other instruments. We have also reviewed the opinion of White Bear Ankele Tanaka & Waldron, P.C., Centennial, Colorado, counsel to the Issuer, a copy of which opinion has been delivered to the Trustee.

Based on the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The Indenture has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms.

2. The Bonds have been duly authorized, executed and delivered by the Issuer and constitute valid and binding limited tax general obligations of the Issuer, payable solely from and to the extent of the Subordinate Pledged Revenue and the other sources provided therefor in the Indenture, and are legally enforceable in accordance with their terms.

3. All taxable property of the Issuer is subject to an ad valorem tax levy at the rate and in the amount of the Subordinate Required Mill Levy, for the purpose of paying the principal of and interest on the Bonds.

4. The Indenture creates a valid lien (but not necessarily an exclusive lien) on the Subordinate Pledged Revenue and all right, title and interest of the Issuer in and to the Subordinate Pledged Revenue have been validly assigned and pledged to the Trustee under the Indenture in accordance with Section 11-57-208, Colorado Revised Statutes, as amended, all subject to the exceptions and limitations provided in the Indenture.

5. Interest on the Bonds is excludable from gross income for purposes of federal income tax under existing laws as enacted and construed on the date of initial delivery of the Bonds, assuming the accuracy of the certifications of the Issuer and continuing compliance by the Issuer with the requirements



of the Code. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax.

6. Interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date hereof. Bond Counsel will express no opinion regarding other state or local tax consequences arising with respect to the Bonds, including whether interest on the Bonds is exempt from taxation under the laws of any jurisdiction other than the State of Colorado.

Except as provided in paragraph 5, Bond Counsel expresses no opinion regarding any federal tax consequences relating to ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, to the reasonable exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of powers delegated to it by the United States Constitution; and while certain remedies and other provisions of the Indenture are subject to the aforesaid exceptions and limitations and, therefore, may not be enforceable in accordance with their respective terms, such unenforceability would not preclude the enforcement of the obligations of the Issuer to pay the principal of, and interest on, the Bonds from available Subordinate Pledged Revenue and other sources provided therefor in the Indenture.

This opinion is issued as of the date hereof, and we assume no obligation to (i) monitor or advise you or any other person of any changes in the foregoing subsequent to the delivery hereof; (ii) update, revise, supplement or withdraw this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, regulation, or governmental agency guidance, or the interpretation of any of the foregoing, that may hereafter occur, or for any other reason whatsoever; or (iii) review any legal matters incident to the authorization, issuance, validity, and exemption from federal or state income tax of the Bonds, or the purposes to which the proceeds thereof are to be applied, after the date hereof. Furthermore, we express no opinion as to the validity or enforceability of any fees, charges or other revenue sources that are included in Subordinate Pledged Revenue, other than the Subordinate Required Mill Levy.

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

Our opinions represent our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and are not a guarantee of a result.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds or any other statements made in connection with any offer or sale of the Bonds.

Although we have rendered an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences. Purchasers of the Bonds should consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

This letter is furnished by us as bond counsel to the Issuer in connection with the issuance of the Bonds. No attorney-client relationship has existed or exists between us and anyone other than the Issuer in connection with the issuance of the Bonds by virtue of this letter.

Very truly yours,

## APPENDIX J

### FORM OF INVESTOR LETTER 2022B SUBORDINATE BONDS

Sweetgrass Metropolitan District No. 2  
c/o White Bear Ankele Tanaka & Waldron, P.C.  
2154 E. Commons Avenue, Suite 2000  
Centennial, Colorado 80122

UMB Bank, n.a.  
1670 Broadway  
Denver, Colorado 80202

Re: Sweetgrass Metropolitan District No. 2, in the City of Dacono, Weld County, Colorado,  
Subordinate General Obligation Limited Tax Refunding Bonds, Series 2022B

Ladies and Gentlemen:

The undersigned in its capacity as discretionary investment adviser or sub-adviser (in such capacity, the “Undersigned”) for certain of its clients, accounts and funds that will be an initial purchaser (each, a “Purchaser”) of the above-referenced bonds (the “Bonds”), does hereby certify, represent and warrant for the benefit of Sweetgrass Metropolitan District No. 2, in the City of Dacono, Weld County, Colorado (the “District”), and UMB Bank, n.a., as trustee (the “Trustee”), that:

(a) Each Purchaser is a financial institution or institutional investor as described in §32-1-1101 (6)(a)(IV), C.R.S.

(b) Each Purchaser has sufficient knowledge and experience in financial and business matters, including the purchase and ownership of tax-exempt obligations and is capable of evaluating the merits and risks of its investment in the Bonds and, the Undersigned on behalf of each Purchaser based on its knowledge and experience, the Preliminary Official Statement relating to the Bonds (the “POS”), and the its own internal due diligence in reliance on the POS, has evaluated such risks and merits to its satisfaction on behalf of each Purchaser. Each Purchaser is able to bear the economic risk of, and an entire loss of, an investment in the Bonds.

(c) Each Purchaser is acquiring the Bonds solely for its own account or an affiliated account for investment purposes, and does not presently intend to make a public distribution of, or to resell or transfer, all or any part of the Bonds. Each Purchaser may sell the Bonds at any time, at the Purchaser's sole discretion, subject to and in accordance with the terms and conditions of the Bonds, including but not limited to the transfer restrictions described in this letter. Each Purchaser understands that the Bonds will be issued in minimum denominations of \$500,000 and integral multiples of \$1,000 in excess thereof.

(d) Each Purchaser understands that the Bonds have not been registered under the Securities Act of 1933, as amended (the “Act”) or under any state securities laws. Without limiting the Trustee's or the Underwriter's respective obligations to comply with any applicable state and federal securities laws then in effect with respect to the sale or disposition of the Bonds, each Purchaser agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Bonds by it, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements.

(e) Based on the Undersigned's knowledge and experience, the information set forth in the POS, and the Undersigned's own internal due diligence in reliance on the POS, the Undersigned on behalf of each Purchaser is familiar with the conditions, financial and otherwise, of the District. Further, each Purchaser understands that the Bonds involve a degree of risk. The Undersigned on behalf of each Purchaser has received and read the POS in connection with and relating to the Bonds. The Undersigned understands it will receive the final Official Statement at or prior to the time of closing of the Bonds. The Undersigned on behalf of each Purchaser has reviewed the documents to be executed in conjunction with the issuance of the Bonds, including, without limitation, the Indentures.

(f) Each Purchaser has authority to purchase the Bonds and the Undersigned has the authority to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds. The Undersigned is authorized to cause each Purchaser to make the certifications, representations and warranties contained herein by execution of this letter on behalf of each Purchaser.

(g) In entering into this transaction, each Purchaser has relied upon the legal opinion issued by bond counsel, Kline Alvarado Veio, P.C. ("Bond Counsel") with respect to the Bonds. Each Purchaser acknowledges that neither the District nor the Underwriter (Wells Fargo Securities, LLC) is issuing any legal opinion with respect to the Bonds. Based on its knowledge and experience, the information set forth in the POS, and the its own internal due diligence in reliance on the POS, in entering into this transaction, the Undersigned on behalf of each Purchaser has made its own analysis with respect to the Bonds, the security, and other material factors affecting the security and payment of the Bonds.

(h) Each Purchaser understands that the Bonds are secured by a pledge of moneys received or to be received from ad valorem property taxation by the District and other sources of revenue described in the POS; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the District, the City of Dacono, Weld County, the State of Colorado, or any political subdivision thereof; and that the liability of the District with respect to the Bonds is subject to further limitations as set forth in the Bonds, the Preliminary Official Statement and the Indentures.

(i) Each Purchaser acknowledges that the Bonds may not be transferred by the registered owner thereof to any person other than to a financial institution or an institutional investor as described in §32-1-1101 (6)(a)(IV), C.R.S.

(j) Neither the Trustee nor the District, nor any of their respective members, governing bodies, or employees, counsel or agents will have any responsibility to any Purchaser for the accuracy or completeness of information obtained by a Purchaser from third parties or their agents regarding the Bonds, the provision for payment thereof, or the sufficiency of any security therefor. Each Purchaser has sought such accounting, legal and tax advice as it considers necessary to make an informed investment decision. Each Purchaser acknowledges that, as between the Purchaser and the District and the Trustee, the Undersigned on behalf of each Purchaser has assumed responsibility for obtaining such information and making such review as the it deemed necessary or desirable in connection with its decision to purchase the Bonds on behalf of each Purchaser. Notwithstanding anything to the contrary contained herein, (i) each Purchaser may rely on the final opinion furnished by Bond Counsel as set forth as Appendix K to the Official Statement, and (ii) each Purchaser is not waiving any rights it may have against the Underwriter under applicable anti-fraud provisions of the U.S. or any state securities laws.

Each Purchaser acknowledges that the sale of the Bonds to the Purchaser is made in reliance upon the certifications, representations and warranties herein by the addressees hereto. Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Indentures, each dated as of June 1, 2022 between the District and the Trustee (the "Indentures").

[Insert Purchaser Name]  
("PURCHASER")

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Title: \_\_\_\_\_

cc: Wells Fargo Securities, LLC ("Underwriter")  
Kline Alvarado Veio, P.C. ("Bond Counsel")

#### SUMMARY OF INVESTMENT

Principal Amount: \$\_\_\_\_\_

CUSIP Number: 87043C AT6

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**APPENDIX K**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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