

PRELIMINARY LIMITED OFFERING MEMORANDUM DATED FEBRUARY [___], 2023

**NEW ISSUE
BOOK-ENTRY ONLY**

**NOT RATED
BANK QUALIFIED**

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the "Tax Code"), interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b) of the Tax Code; however, to the extent such interest is included in calculating the "adjusted financial statement income" of "applicable corporations" (as defined in Sections 56A and 55(k), respectively, of the Tax Code), such interest is subject to the alternative minimum tax applicable to those corporations under Section 55(b) of the Tax Code for tax years beginning after December 31, 2022, and interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein. See "TAX MATTERS." The District has designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Tax Code. See "FINANCIAL INSTITUTION INTEREST DEDUCTION."

**[\$2023B PRINCIPAL AMOUNT]*
LOWELL METROPOLITAN DISTRICT
(IN THE CITY OF COLORADO SPRINGS, EL PASO COUNTY, COLORADO)
SUBORDINATE GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS
SERIES 2023B(3)**

The 2023B(3) Subordinate Bonds are issued as fully registered bonds in denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof, pursuant to the 2023B(3) Subordinate Indenture. Purchases of the 2023B(3) Subordinate Bonds are to be made in book-entry form only through The Depository Trust Company, New York, New York. See Appendix D - Book-Entry Only System. The 2023B(3) Subordinate Bonds bear interest at the rate set forth below, payable annually on December 15 of each year from available Subordinate Pledged Revenue, if any, commencing December 15, 2023. See "THE 2023B(3) SUBORDINATE BONDS." The 2023B(3) Subordinate Bonds are not obligations of the City of Colorado Springs, El Paso County or the State of Colorado.

The 2023B(3) Subordinate Bonds are subordinate limited tax general obligations of the District secured by and payable from the Subordinate Pledged Revenue, which is defined in the 2023B(3) Subordinate Indenture as moneys derived by the District from the following sources: (i) the Subordinate Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy; (iii) all Subordinate Cooperation Agreement Revenue; and (iv) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue. See "SECURITY FOR THE 2023B(3) SUBORDINATE BONDS." *In the event any amounts due and owing on the 2023B(3) Subordinate Bonds remain outstanding on December 16, 2062, such amounts shall be deemed discharged and shall no longer be due and outstanding.*

2023B(3) SUBORDINATE BONDS MATURITY SCHEDULE*

[\$2023B Principal Amount]* ___% Term Bond Due December 15, 2052 - Yield: ___% (CUSIP Number:® _____)

Dated: Date of Delivery

REPAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 2023B(3) SUBORDINATE BONDS IS SUBJECT TO A HIGH DEGREE OF INVESTMENT RISK. AS SUBORDINATE OBLIGATIONS, REPAYMENT OF THE 2023B(3) SUBORDINATE BONDS IS SUBJECT TO A HIGHER DEGREE OF INVESTMENT RISK. THE 2023B(3) SUBORDINATE BONDS ARE NOT APPROPRIATE FOR ALL INVESTORS AND ARE BEING OFFERED AND SOLD ONLY TO "FINANCIAL INSTITUTIONS AND INSTITUTIONAL INVESTORS," AS DEFINED IN SECTION 32-1-103(6.5), COLORADO REVISED STATUTES. REPAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE 2023B(3)

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SUBORDINATE BONDS IS DEPENDENT UPON FUTURE INCREASES IN THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE DISTRICT, WHICH MAY NOT OCCUR.

The 2023B⁽³⁾ Subordinate Bonds are structured as “cash flow” bonds, meaning that the 2023B⁽³⁾ Subordinate Indenture contains no scheduled payments of principal on the 2023B⁽³⁾ Subordinate Bonds other than at maturity. Instead, principal is payable on each December 15 from the available Subordinate Pledged Revenue, if any, pursuant to a mandatory redemption. Payment of principal of and interest on the 2023B⁽³⁾ Subordinate Bonds is subordinate to the annual payment of debt service on the 2023A Senior Bonds. [According to the base case of the Financial Forecast attached hereto as Appendix C, the first payment of principal on the 2023B⁽³⁾ Subordinate Bonds is forecasted to be made on December 15, 2023 but no further principal payments on the 2023B⁽³⁾ Subordinate Bonds are forecasted to be made until ____. See “RISK FACTORS – Risks Related to the Projections.”]*

The designation “(3)” in the title of the 2023B⁽³⁾ Subordinate Bonds indicates that such bonds are being sized and priced based on an assumption that residential assessed values in the District will appreciate at an annual rate of 3% (6% biennially) throughout their term, which is not guaranteed to occur. See APPENDIX B – Market Analysis.

The 2023B⁽³⁾ Subordinate Bonds are subject to redemption prior to maturity at the option of the District and are subject to mandatory redemption as described in “THE 2023B⁽³⁾ SUBORDINATE BONDS – Prior Redemption.” Proceeds of the 2023B⁽³⁾ Subordinate Bonds will be used to: (i) partially refund the Refunded Bonds; and (ii) pay costs incurred in connection with the issuance of the 2023B⁽³⁾ Subordinate Bonds. See “USES OF PROCEEDS.”

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Limited Offering Memorandum to obtain information essential to making an informed investment decision, giving particular attention to the section entitled “RISK FACTORS.”

The 2023B⁽³⁾ Subordinate Bonds are offered when, as, and if issued by the District and accepted by the Underwriter subject to the approval of legality of the 2023B⁽³⁾ Subordinate Bonds by Sherman & Howard L.L.C., Denver, Colorado, Bond Counsel, and the satisfaction of certain other conditions. Sherman & Howard L.L.C., Denver, Colorado, has also acted as disclosure counsel to the District in connection with the Limited Offering Memorandum. Greenberg Traurig LLP has acted as counsel to the Underwriter. Certain legal matters will be passed upon for the District by its general counsel, White Bear Ankele Tanaka & Waldron, Centennial, Colorado. It is expected that the 2023B⁽³⁾ Subordinate Bonds will be available for delivery through the facilities of DTC on or about March [___], 2023*.

[PIPER SANDLER LOGO]

This Limited Offering Memorandum is dated January __, 2023.

* Preliminary; subject to change.

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

USE OF INFORMATION IN THIS LIMITED OFFERING MEMORANDUM

This Limited Offering Memorandum, which includes the cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the 2023B⁽³⁾ Subordinate Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Limited Offering Memorandum in connection with the offering of the 2023B⁽³⁾ Subordinate Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the District or the Underwriter.

The information set forth in this Limited Offering Memorandum has been obtained from the District, from the sources referenced throughout this Limited Offering Memorandum and from other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information received from parties other than the District. In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Limited Offering Memorandum but does not guarantee its accuracy or completeness. This Limited Offering Memorandum contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The information, estimates, and expressions of opinion contained in this Limited Offering Memorandum are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale of the 2023B⁽³⁾ Subordinate Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or in the information, estimates, or opinions set forth herein, since the date of this Limited Offering Memorandum.

The 2023B⁽³⁾ Subordinate Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the District, the 2023B⁽³⁾ Subordinate Bonds and the terms of the offering, including the merits and risks involved. The 2023B⁽³⁾ Subordinate Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICE AT WHICH THE 2023B⁽³⁾ SUBORDINATE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELD RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICE OR YIELD APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICE TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE 2023B⁽³⁾ SUBORDINATE BONDS, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE 2023B⁽³⁾ SUBORDINATE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**LOWELL METROPOLITAN DISTRICT
(IN THE CITY OF COLORADO SPRINGS, EL PASO COUNTY COLORADO)**

Board of Directors

Chris Cipoletti
Stephen Strong
Christopher Wilkins

Trustee, Registrar and Paying Agent

BOKF, N.A.
Denver, Colorado

General Counsel

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

Bond Counsel and Disclosure Counsel

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

Underwriter

Piper Sandler & Co.
Denver, Colorado

Underwriter's Counsel

Greenberg Traurig LLP
Denver, Colorado

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VICINITY MAP

LIMITED OFFERING MEMORANDUM

[\$[2023B PRINCIPAL AMOUNT]*
LOWELL METROPOLITAN DISTRICT
(IN THE CITY OF COLORADO SPRINGS, EL PASO COUNTY, COLORADO)
SUBORDINATE GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS
SERIES 2023B(3)

INTRODUCTION

General

This Limited Offering Memorandum, which includes the cover page and the appendices, provides information in connection with the offer and sale of the Lowell Metropolitan District Subordinate General Obligation Limited Tax Refunding Bonds, Series 2023B(3) (the “2023B(3) Subordinate Bonds”), to be issued by Lowell Metropolitan District (the “District”), in the City of Colorado Springs, Colorado (the “City”), a quasi-municipal corporation and political subdivision of the State of Colorado (the “State”), in the total aggregate principal amount of \$[2023B Principal Amount].*

The 2023B(3) Subordinate Bonds will be issued pursuant to a resolution (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”) prior to the issuance of the 2023B(3) Subordinate Bonds. The Bond Resolution will authorize the District to enter into an Indenture of Trust (Subordinate) dated as of January 1, 2023 (the “2023B(3) Subordinate Indenture”) between the District and BOKF, N.A., Denver, Colorado, as trustee (the “Trustee”), pursuant to which the 2023B(3) Subordinate Bonds will be issued.

The offering of the 2023B(3) Subordinate Bonds is made only by way of this Limited Offering Memorandum, which supersedes any other information or materials used in connection with the offer or sale of the 2023B(3) Subordinate Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Limited Offering Memorandum. A full review should be made of the entire Limited Offering Memorandum and the documents summarized or described herein, particularly the section entitled “RISK FACTORS.” Detachment or other use of this “INTRODUCTION” without the entire Limited Offering Memorandum, including the cover page and appendices, is unauthorized. Undefined capitalized terms have the meanings given in the 2023B(3) Subordinate Indenture. The definitions provided in the 2023B(3) Subordinate Indenture are summarized in Appendix F hereto.

The District

The District. The District is a quasi-municipal corporation and a political subdivision of the State created pursuant to Article 1, Title 32, Colorado Revised Statutes (the “Special District Act”). The District was organized on May 29, 2002, pursuant to an Order and Decree issued by the El Paso County District Court that was recorded in the real property records of El Paso County (the “County”) on June 4, 2002. Formation of the District was preceded by the

*Preliminary; subject to change.

conditional approval thereof by the City Council of Colorado Springs, Colorado of a Service Plan for Lowell Metropolitan District on September 12, 2000 and the final approval of the Service Plan on April 23, 2002 (together, the “Service Plan”).

Assessed Value of the District. The 2022 assessed valuation of the District is \$5,920,250. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Tax Data.”

Location and Boundaries. The District contains approximately 48.6 acres and is in the central part of the City, approximately four blocks from the center of the City’s downtown. The District is bounded to the north by E Rio Grande St., to the west by S. Nevada Avenue, to the south by the Rio Grande Main Line railroad tracks and to the east by South Shooks Run Park. The District is located approximately nine miles west of the Colorado Springs Airport. See VICINITY MAP on page v.

Development within the District. The existing property in the District consists of townhomes, apartment buildings, certain commercial property, a pocket park, and open space. According to the Market Study, the remaining undeveloped land within the District is planned to be developed into approximately 434 multi-family units (the “Development”) comprised of 154 market rate apartment units, 280 affordable apartment units, and 95 affordable housing apartment units geared toward senior citizens. According to the Market Study, 89 of such apartment units are planned for completion in 2023. The Market Study projects all of the planned units to be completed over a five-year period, extending from 2023 through 2027. ***Notwithstanding the foregoing, the District makes no representations that any of the planned multi-family units described in the Market Study will be completed.*** ***[Discuss entitlement status.]***

2023A Senior Bonds. Concurrently with the issuance of the 2023B⁽³⁾ Subordinate Bonds, the District is issuing its General Obligation Limited Tax Refunding Bonds, Series 2023A, in the aggregate principal amount of \$[2023A Principal Amount] (the “2023A Senior Bonds”). The 2023A Senior Bonds are issued by the District pursuant to an Indenture of Trust dated as of January 1, 2023 (the “2023A Senior Indenture”). ***Payment of principal of and interest on the 2023B⁽³⁾ Subordinate Bonds is subordinate to the annual payment of debt service on the 2023A Senior Bonds.*** See “RISK FACTORS - Subordinate Lien of the 2023B⁽³⁾ Subordinate Bonds.” For a description of the 2023A Senior Bonds, including the ability to issue additional 2023A Additional Bonds under the 2023A Senior Indenture on parity with the 2023A Senior Bonds, see “DISTRICT DEBT STRUCTURE – General Obligation Debt – 2023A Senior Bonds.”

Downtown Development Authority

The Colorado Springs Downtown Development Authority (the “Authority”) was created pursuant to Ordinance 07-15 entitled “An Ordinance Creating and Establishing the Colorado Springs Downtown Development Authority of the City of Colorado Springs, Colorado, Determining Organizational Aspects of the Colorado Springs Downtown Development Authority Board” and in accordance with the provisions of Part 9 of Article 25 of Title 31 (C.R.S. 31-25-801 et seq) (the “Authority Act”). In accordance with the Authority Act and the provisions of Ordinance No. 07-15 and pursuant to Resolution No. 56-07, the City Council of the City approved the Imagine Downtown Final Plan for Downtown Colorado Springs dated February 7, 2007, as

amended by the Experience Downtown Plan of Development, Volume 1, as a plan of development under the Act, which Plan establishes tax increment financing provisions for the benefit of the Authority based upon the increase in property valuation within the boundaries of the Authority. The Authority may implement tax increment financing for a period not to exceed 30 years, extending from [February 7, 2007] and ending [February 7, 2037].

The District and the Authority entered into a Cooperation Agreement for Property Tax Increment Revenue Remittance (the “Cooperation Agreement”) dated June 1, 2021. See “THE DISTRICT – District Agreements.” Pursuant to the Cooperation Agreement the District consented to the inclusion of an approximately 1.5 acre lot (the “Lot”) into the boundaries of the Authority and the Authority agreed to remit to the District all tax increment revenue derived from the District’s ad valorem property tax mill levy as applied to the Lot. In accordance with the Cooperation Agreement, the Authority will continue to remit to the District all tax increment revenue derived from the District’s ad valorem property tax mill levy (including the Subordinate Required Mill Levy, as defined) as applied to the Lot through [February 7, 2037] on the following schedule: March 31, June 30, July 31, September 30 and December 31.

Purpose

Proceeds of the 2023B⁽³⁾ Subordinate Bonds will be used to: (i) partially refund the Refunded Bonds (as defined in “USES OF PROCEEDS”); and (ii) pay costs incurred in connection with the issuance of the 2023B⁽³⁾ Subordinate Bonds. See “USES OF PROCEEDS.”

Security for the 2023B⁽³⁾ Subordinate Bonds

General. The 2023B⁽³⁾ Subordinate Bonds are subordinate limited tax general obligations of the District payable from the Subordinate Pledged Revenue as provided in the 2023B⁽³⁾ Subordinate Indenture. The primary component of the Subordinate Pledged Revenue is expected to be tax revenues imposed and collected by the District and pledged to the payment of the 2023B⁽³⁾ Subordinate Bonds pursuant to the 2023B⁽³⁾ Subordinate Indenture. *Payment of the principal of and interest on the 2023B⁽³⁾ Subordinate Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the District.*

The Subordinate Pledged Revenue may not be sufficient to pay the principal of and interest on the 2023B⁽³⁾ Subordinate Bonds. *No representation is made by the District or the Underwriter that the Subordinate Pledged Revenue will be sufficient to pay the principal of and interest on the 2023B⁽³⁾ Subordinate Bonds.* See “RISK FACTORS” and “SECURITY FOR THE 2023B⁽³⁾ SUBORDINATE BONDS.”

Subordinate Pledged Revenue. The 2023B⁽³⁾ Subordinate Indenture defines Subordinate Pledged Revenue as the moneys derived by the District from the following sources: (i) the Subordinate Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy; (iii) all Subordinate Cooperation Agreement Revenue; and (iv) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

Subordinate Required Mill Levy. The 2023B⁽³⁾ Subordinate Indenture generally defines Subordinate Required Mill Levy as 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 the amount of 40.000 mills (subject to adjustment as described therein) *less* (i) the amount of the Senior Bond Mill Levy and (ii) less the Operations Deduction, or such lesser mill levy which will fund the Subordinate Bond Fund in an amount sufficient to pay all of the principal of, premium, if any, and interest on the 2023B⁽³⁾ Subordinate Bonds in full.

“Senior Bond Mill Levy” is defined in the 2023B⁽³⁾ Subordinate Indenture as the ad valorem mill levy required to be used, paid, pledged, or otherwise applied in connection with any Senior Bonds by the documents pursuant to which such Senior Bonds are issued and secured.

The 2023A Senior Bonds constitute Senior Bonds under the 2023B⁽³⁾ Subordinate Indenture and the Required Mill Levy imposed pursuant to the 2023A Senior Indenture constitutes a Senior Bond Mill Levy.

“Required Mill Levy” is generally defined in the 2023A Senior Indenture as 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, but not in excess of 40 mills (subject to adjustment as described therein) less the Senior Operations Deduction, or such lesser mill levy which will fund the Bond Fund for the relevant Bond Year and pay the Bonds as they come due and will replenish the Reserve Fund to the amount of the Required Reserve.

“Operations Deduction” is defined in the 2023B⁽³⁾ Subordinate Indenture as five (5) mills; provided that the Operations Deduction is not adjusted to account for changes in the method of calculating assessed valuation that have occurred since, or will occur after, September 12, 2000.

“Senior Operations Deduction” is defined in the 2023 Senior Indenture as five (5) mills; provided that the Operations Deduction is not adjusted to account for changes in the method of calculating assessed valuation that have occurred since, or will occur after, September 12, 2000.

Specific Ownership Tax. The Subordinate Pledged Revenue includes any Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy. “Specific Ownership Tax” is defined in the 2023B⁽³⁾ Subordinate Indenture as the specific ownership tax which is collected by the County and remitted to the District pursuant to §42-3-107, C.R.S., or any successor statute.

Subordinate Cooperation Agreement Revenue. The Subordinate Pledged Revenue includes all revenue derived from the Cooperation Agreement (i.e., the revenue derived from the imposition of the Subordinate Required Mill Levy on the Lot) that remains after application of the same to the payment of the 2023A Senior Bonds each Bond Year.

Subordinate Position in Relation to the 2023A Senior Bonds. The payment of debt service on the 2023B⁽³⁾ Subordinate Bonds is subordinate to the payment of debt service on the 2023A Senior Bonds and any future obligations on parity therewith. It is anticipated that there

will not be sufficient Subordinate Pledged Revenue to pay the principal of the 2023B(3) Subordinate Bonds until [_____]*. See the Financial Forecast attached as Exhibit C, “RISK FACTORS – Subordinate Lien of the 2023B(3) Subordinate Bonds,” “RISK FACTORS – Balloon Payment on the 2023A Senior Bonds” and “RISK FACTORS - Risks Related to the Projections.”

No Regularly Scheduled Payments on the 2023B(3) Subordinate Bonds. The 2023B(3) Subordinate Bonds are also structured as “cash flow” bonds, meaning that the 2023B(3) Subordinate Indenture contains no scheduled payments of principal on the 2023B(3) Subordinate Bonds other than at maturity. Instead, principal is payable on each December 15 from the available Subordinate Pledged Revenue, if any, pursuant to a mandatory redemption. See “RISK FACTORS – “Cash Flow” Nature of the 2023B(3) Subordinate Bonds and the Financial Forecast.”

Termination Date. The 2023B(3) Subordinate Indenture provides that, notwithstanding any other provision of the 2023B(3) Subordinate Indenture to the contrary, all of the 2023B(3) Subordinate Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 16, 2062 (the “Termination Date”), regardless of the amount of principal and interest paid prior to such date.

The 2023B(3) Subordinate Bonds are solely obligations of the District. The 2023B(3) Subordinate Bonds are not obligations of the City, the County or the State.

The 2023B(3) Subordinate Bonds; Redemption

The 2023B(3) Subordinate Bonds are issued solely as fully registered bonds in the denominations of \$500,000, or any integral multiple of \$1,000 in excess thereof. The 2023B(3) Subordinate Bonds mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the cover page hereof. The payment of principal of and interest on the 2023B(3) Subordinate Bonds is described in “THE 2023B(3) SUBORDINATE BONDS – Payment of Principal and Interest; Record Date.”

The 2023B(3) Subordinate Bonds are subject to redemption prior to maturity at the option of the District and are subject to mandatory redemption as described in “THE 2023B(3) SUBORDINATE BONDS – Prior Redemption.”

Authority for Issuance

The 2023B(3) Subordinate Bonds are issued in full conformity with the constitution and laws of the State, particularly Part 11 of the Special District Act and Title 11, Article 57, Part 2, C.R.S. (the “Supplemental Public Securities Act”), and pursuant to the Bond Resolution and the 2023B(3) Subordinate Indenture.

Book-Entry Registration

The 2023B(3) Subordinate Bonds initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), the securities depository for the 2023B(3) Subordinate Bonds. Purchases of the 2023B(3) Subordinate Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their

beneficial ownership interest in the 2023B⁽³⁾ Subordinate Bonds. See “THE 2023B⁽³⁾ SUBORDINATE BONDS – Book-Entry Only System.”

Tax Status

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Bonds (the “Tax Code”), interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b) of the Tax Code; however, to the extent such interest is included in calculating the “adjusted financial statement income” of “applicable corporations” (as defined in Sections 56A and 55(k), respectively, of the Tax Code), such interest is subject to the alternative minimum tax applicable to those corporations under Section 55(b) of the Tax Code for tax years beginning after December 31, 2022, and interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Bonds as described herein. See “TAX MATTERS.” The District has designated the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Tax Code. See “FINANCIAL INSTITUTION INTEREST DEDUCTION.”

Professionals

Sherman & Howard L.L.C., Denver, Colorado, is acting as Bond Counsel. Sherman & Howard L.L.C. has also acted as disclosure counsel to the District in connection with this Limited Offering Memorandum. White Bear Ankele Tanaka & Waldron, P.C., Centennial, Colorado, represents the District as general counsel. BOKF, N.A., Denver, Colorado will act as the trustee, paying agent and registrar for the 2023B⁽³⁾ Subordinate Bonds (the “Trustee”). Greenberg Traurig LLP will act as counsel to the Underwriter. Piper Sandler & Co. (the “Underwriter”), Denver, Colorado will act as the underwriter for the 2023B⁽³⁾ Subordinate Bonds. See “UNDERWRITING.”

Continuing Disclosure Undertaking

Although the Underwriter has determined that the 2023B⁽³⁾ Subordinate Bonds are exempt from the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, Section 240.15c2-12) (the “Rule”), the District has agreed, pursuant to the provisions of the Continuing Disclosure Agreement dated as of the date of delivery of the 2023B⁽³⁾ Subordinate Bonds (the “Continuing Disclosure Agreement”), to provide certain information to the Trustee on a quarterly and annual basis for dissemination to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access system and to provide notice of certain material events. The form of the Continuing Disclosure Agreement is attached hereto as Appendix E.

Delivery Information

The 2023B⁽³⁾ Subordinate Bonds are offered when, as, and if issued by the District and accepted by the Underwriter, subject to: prior sale, the approving legal opinion of Bond

Counsel (the form of which is attached hereto as Appendix G), and certain other matters. It is expected that the 2023B(3) Subordinate Bonds will be available for delivery through the facilities of DTC on or about March [__], 2023*.

Additional Information

All references herein to the 2023B(3) Subordinate Indenture, Bond Resolution, and other documents are qualified in their entirety by reference to such documents. Additional information and copies of the documents referred to herein are available from the following sources, as applicable:

Lowell Metropolitan District
c/o White Bear Ankele Tanaka & Waldron
Professional Corporation
2154 E. Commons Ave, Suite 2000
Centennial, Colorado 80122
Telephone: (303) 592-4380

Piper Sandler & Co.
1144 15th Street, Suite 2050
Denver, Colorado 80202

FORWARD-LOOKING STATEMENTS

This Limited Offering Memorandum, including but not limited to the Market Analysis attached as Appendix B and the Financial Forecast attached as Appendix C (each as defined in “RISK FACTORS – Risks Related to the Projections”) contains statements relating to future results that are “forward-looking statements.” When used in this Limited Offering Memorandum, the words “estimate,” “intend,” “expect,” “anticipate,” “plan,” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statement will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. For a discussion of certain of such risks, see the following section, “RISK FACTORS.”

RISK FACTORS

Each prospective purchaser of the 2023B(3) Subordinate Bonds should consider carefully, along with other matters referred to herein, the following risks of investment. The ability of the District to pay the principal of, and interest on, the 2023B(3) Subordinate Bonds is subject to various risks and uncertainties which are discussed throughout this Limited Offering Memorandum. Certain of such investment considerations are set forth below. This section of this Limited Offering Memorandum does not purport to summarize all of the risks. Investors should read this Limited Offering Memorandum in its entirety.

*Preliminary; subject to change.

Each prospective purchaser is responsible for assessing the merits and risks of an investment in the 2023B(3) Subordinate Bonds and must be able to bear the economic risk of such investment in the 2023B(3) Subordinate Bonds. The 2023B(3) Subordinate Bonds are “cash flow” bonds, and no regularly scheduled principal payments are due on the 2023B(3) Subordinate Bonds other than at maturity.

The 2023B(3) Subordinate Bonds are offered only to financial institutions and institutional investors in minimum denominations of \$500,000, will not receive a credit rating from any source, and are not suitable investments for all investors. By purchasing the 2023B(3) Subordinate Bonds, each purchaser represents that it is a financial institution or an institutional investor with sufficient knowledge and experience in financial and business matters, including the purchase and ownership of tax-exempt obligations, to be able to evaluate the merits and risks of an investment in the 2023B(3) Subordinate Bonds.

Limited Security for the 2023B(3) Subordinate Bonds

General Description. The 2023B(3) Subordinate Bonds are subordinate limited tax general obligations of the District payable solely from the Subordinate Pledged Revenue described herein. See “SECURITY FOR THE 2023B(3) SUBORDINATE BONDS.” The primary source of the Subordinate Pledged Revenue is expected to be property tax revenues generated from ad valorem taxes assessed against all taxable property within the District in an amount necessary to pay the principal of and interest on the 2023B(3) Subordinate Bonds, subject to the limitations of the Subordinate Required Mill Levy. The Subordinate Required Mill levy is subject to a maximum of 40.000 mills (subject to adjustment) *less* the amount of the Senior Bond Mill Levy.

Owners of the 2023B(3) Subordinate Bonds (the “Owners”) cannot require the District to raise the Subordinate Required Mill Levy above the maximum mill levy of 40.00 mills (subject to adjustment). The District’s ability to retire the indebtedness created by the issuance of the 2023B(3) Subordinate Bonds therefore is dependent upon the maintenance of an adequate tax base from which the District can collect sufficient property tax revenues from the Subordinate Required Mill Levy. ***The tax revenues potentially available to pay principal of and interest on the 2023B(3) Subordinate Bonds will be available, if ever, only after tax revenues have been used to pay debt service on the 2023A Senior Bonds and future bonds issued on parity therewith.***

The District was unable to meet its full debt service obligations on the Refunded Bonds (as defined herein) despite satisfying its bond covenants and imposing the maximum mill levy of 40.00 mills (subject to adjustment). The District’s failure to satisfy its debt service obligations resulted from the assessed valuation within the District lagging expected growth projections. Bond holders of the Refunded Bonds could not force the District to impose a mill levy beyond the already imposed maximum permitted mill levy, resulting in a loss for such bond holders. There can be no guarantee that the assessed valuation of the District will grow as projected by the Financial Forecast or that the District’s assessed valuation will not continue to lag behind projections. See “ – Risks Related to the Projections.”

Subject to the Termination Date, to the extent principal of any 2023B(3) Subordinate Bond is not paid on or prior to the maturity date of such 2023B(3) Subordinate Bond, such principal shall remain Outstanding and shall continue to bear interest at the rate then borne by the 2023B(3)

Subordinate Bond. To the extent interest on any 2023B⁽³⁾ Subordinate Bond is not paid when due, such interest shall compound on each Interest Payment Date, at the rate then borne by the 2023B⁽³⁾ Subordinate Bond; provided however, that notwithstanding anything in the 2023B⁽³⁾ Subordinate Indenture to the contrary, the District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the 2023B⁽³⁾ Subordinate Bonds, including all payments of principal, premium if any, and interest, and all 2023B⁽³⁾ Subordinate Bonds will be deemed defeased and no longer Outstanding upon the payment by the District of such amount.

The 2023B⁽³⁾ Subordinate Bonds are solely obligations of the District. The 2023B⁽³⁾ Subordinate Bonds are not obligations of the City, the County, or the State. Payment of the principal of and interest on the 2023B⁽³⁾ Subordinate Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the District.

Termination Date

The 2023B⁽³⁾ Subordinate Indenture provides that, notwithstanding any other provision of therein to the contrary, all of the 2023B⁽³⁾ Subordinate Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 16, 2062 (previously defined as the “Termination Date”), regardless of the amount of principal and interest paid prior to the Termination Date, as more particularly provided therein. See “THE 2023B⁽³⁾ SUBORDINATE BONDS – Discharge on December 16, 2062.”

“Cash Flow” Nature of the 2023B⁽³⁾ Subordinate Bonds and the Financial Forecast

The 2023B⁽³⁾ Subordinate Bonds are also structured as “cash flow” bonds, meaning that the 2023B⁽³⁾ Subordinate Indenture contains no scheduled payments of principal on the 2023B⁽³⁾ Subordinate Bonds. Instead, principal is payable on each December 15 from the available Subordinate Pledged Revenue, if any, pursuant to a mandatory redemption. It is anticipated that there will not be sufficient Subordinate Pledged Revenue to pay principal payments on the 2023B⁽³⁾ Subordinate Bonds until [_____]*. See the Financial Forecast attached as Exhibit C, “RISK FACTORS – Subordinate Lien of the 2023B⁽³⁾ Subordinate Bonds,” “RISK FACTORS – Balloon Payment on the 2023A Senior Bonds” and “RISK FACTORS - Risks Related to the Projections.”

The expectations regarding first payments of principal and interest on the 2023B⁽³⁾ Subordinate Bonds set forth in the Financial Forecast are based upon various assumptions in the Financial Forecast, some or all of which may prove to be inaccurate. See “ - Risks Related to the Projections,” below, and “DEBT SERVICE REQUIREMENTS AND ESTIMATED PAYMENTS ON THE 2023A SENIOR BONDS AND 2023B⁽³⁾ SUBORDINATE BONDS.”

Subordinate Lien of the 2023B⁽³⁾ Subordinate Bonds

Although the revenues pledged to the 2023A Senior Bonds and 2023B⁽³⁾ Subordinate Bonds are derived from the same revenue sources, the 2023B⁽³⁾ Subordinate Bonds are subordinate to the 2023A Senior Bonds, any other Senior Bonds issued under the 2023A Senior Indenture. Payments on the 2023B⁽³⁾ Subordinate Bonds are to be made annually after all payments

required to be paid with respect to the 2023A Senior Bonds and any other Senior Bonds issued under the 2023A Senior Indenture in such calendar year have been made.

Repayment of the principal and interest on the 2023B⁽³⁾ Subordinate Bonds is dependent upon the continued increases of assessed valuation of property within the District, which may not occur.

Balloon Payment on the 2023A Senior Bonds

Pursuant to the 2023A Senior Indenture, the final principal payment on the 2023A Senior Bonds is due on December 1, 2042 in the amount of \$[_____]. See “DEBT SERVICE REQUIREMENTS AND ESTIMATED PAYMENTS ON THE 2023A SENIOR BONDS AND 2023B⁽³⁾ SUBORDINATE BONDS.” The District does not anticipate having sufficient Senior Pledged Revenue to make the scheduled December 1, 2042 principal and interest payment on the 2023A Senior Bonds and presently anticipates refunding or restructuring the 2023A Senior Bonds prior to December 1, 2042. No assurance is provided that the District will refund or restructure the 2023A Senior Bonds, however, and no assurance is provided as to the interest rates and other terms that may be available to the District in connection with any refunding or restructuring of the 2023A Senior Bonds.

Pursuant to the 2023B⁽³⁾ Subordinate Indenture, the District is permitted to refund the 2023A Senior Bonds and any other Senior Bonds provided, among other requirements, that the final maturity date of the Permitted Refunding Bonds is no later than [December 1, 2042]. See “APPENDIX F- Summary of Certain Provisions of the 2023B⁽³⁾ Subordinate Indenture.” Additionally, pursuant to the 2023B⁽³⁾ Subordinate Indenture, the District has covenanted to use commercially reasonable best efforts to refinance, refund, or otherwise restructure the Senior Bonds (including the 2023A Senior Bonds) to avoid an insufficiency of Senior Pledged Revenue to pay the Senior Bonds (including the 2023A Senior Bonds) and has covenanted that any refinancing, refunding or other restructuring of the Senior 2023A Senior Bonds will be considered commercially reasonable if the net effective interest rate on the proposed Permitted Refunding Bonds is at or below [_____]%. [Insert forecasts from Financial Forecast if alternative scenario contemplates a refunding of the 2023A Senior Bonds.]

In the event the District is unable to refund or restructure the 2023A Senior Bonds prior to [December 1, 2042] for any reason, including market conditions that would cause interest on the 2023A Senior Bonds to exceed [_____]%, payments on the 2023B⁽³⁾ Subordinate Bonds would cease until the 2023A Senior Bonds could be refunded or restructured or until all principal and interest on the 2023A Senior Bonds were paid. If either of such scenarios were to occur, the payments that could be made on the 2023B⁽³⁾ Subordinate Bonds would be dramatically reduced or even eliminated.

Risks Related to Revenues payable under the Cooperation Agreement

Receipt of amounts due from the Authority under the Cooperation Agreement are dependent upon the ability and willingness of the Authority to adhere to the terms of the Cooperation Agreement and to collect the required revenues and deposit such revenues as required by the Cooperation Agreement. The obligations of the Authority under the Cooperation

Agreement are not secured by any lien on the Authority's assets or revenues. If the Authority defaults under the Cooperation Agreement, the District's remedy is to file suit against Authority, including an action in mandamus to compel the Authority to perform.

No Capitalized Interest, Reserve or Surplus Fund for the 2023B(3) Subordinate Bonds

The 2023B(3) Subordinate Indenture does not provide for the funding of any capitalized interest, reserve fund, surplus fund or any other fund or account from which the principal of and accrued interest on the 2023B(3) Subordinate Bonds may be paid, other than the Subordinate Bond Fund. The District is therefore reliant exclusively upon future Subordinate Pledged Revenue, if any, to pay debt service on the 2023B(3) Subordinate Bonds.

Risks Related to Property Tax Revenues

Generally. The primary source of security for the 2023B(3) Subordinate Bonds is expected to be property taxes imposed by the District. The level of property tax revenues generated by the District's imposition of the Subordinate Required Mill Levy depends upon the assessed valuation of the property within the District and its ability to collect property taxes. This section describes certain risks related to such property tax revenues.

Valuation and Uses of Property. The assessed value of property in the District for ad valorem property tax purposes is determined according to a procedure described under "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes." Assessed valuations may be affected by a number of factors beyond the control of the District. Under certain circumstances, Colorado statutes permit the owners of vacant property to apply to the County Assessor for discounted valuation of such property for ad valorem property tax purposes, which could cause a reduction in assessed value. Property owners are also entitled to challenge the valuations of their property. No assurance can be given that future owners of property in the District will not seek to do so. Further, property used for tax-exempt purposes may not be subject to taxation by the District. Owners of property in the District are not prohibited from selling property to tax-exempt purchasers. Finally, it is possible that property in the District could be condemned for public use, in which case it may no longer be subject to taxation by the District.

Should any of the foregoing occur, resulting in lower assessed valuations of property in the District, the security for the 2023B(3) Subordinate Bonds would be diminished, increasing the risk of nonpayment. Regardless of the level at which property is assessed for tax purposes, the District's ability to enforce and collect the property tax is dependent upon the property in the District having sufficient fair market value to support the taxes which are imposed. No assurance can be given as to the future market values of property in the District.

Dependence Upon Timely Payment of Property Tax; Tax Collections. Delinquency in the payment of property taxes by property owners within the District would impair the District's ability to pay its debt service requirements on the 2023B(3) Subordinate Bonds. Property taxes do not constitute personal obligations of a property owner. While the current year's taxes constitute a lien upon assessed property and the County Treasurer is required by statute to offer for sale delinquent property to satisfy the District's tax lien for the year in which the taxes

are in default, this remedy can be time-consuming. Moreover, any such tax sale would be only for the amount of taxes due and unpaid for the particular tax year in question.

In addition, the County's ability to enforce tax liens could be delayed by bankruptcy laws and other laws affecting creditor's rights generally. During the pendency of any bankruptcy of any property owner, the parcels owned by such property owner could be sold only if the bankruptcy court approves the sale. No assurance is provided that property taxes would be paid during the pendency of any bankruptcy; nor is it possible to predict the timeliness of such payment. If the property taxes are not paid over a period of years, the District's ability to pay principal and interest on the 2023B(3) Subordinate Bonds could be materially adversely affected. Property taxes on land are not personal obligations of the property owners.

State Law Regarding Property Taxes. The mill levies imposed by the District are governed by State law. From time to time, these State laws are revised by the Colorado Legislature. The Service Plan and the definition of Subordinate Required Mill Levy include certain adjustment language which is intended to require the District to increase such mill levy if necessary to offset the loss of tax revenue which occur due to certain changes in law. It is possible, however, that this language will not account for every conceivable change of law which could occur. For example, SB 238 (defined herein) is anticipated to reduce property taxes for levy years 2023 and 2024 through both reductions in assessed valuation and actual valuation. Some of the provisions of SB 238 regarding property tax reductions are unclear and may require judicial interpretation. No assurance is provided that the District will be permitted to increase its Subordinate Required Mill Levy to account for all anticipated adjustments resulting from SB 238 or other changes to State law. In addition, SB 238 states that certain reductions of property tax revenues to local governments such as the District are required to be reimbursed by the State. This reimbursement provision, however, may not result in the reimbursement of 100% of the potential lost revenue. See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes - Determination of Assessed Values."

Risks Related to the Projections

The District has retained: (i) King & Associates, Inc., Denver, Colorado ("King & Associates") to prepare a report on certain historical and projected appreciation trends dated as of November, 2022, (the "Market Analysis"); and (ii) [____], to prepare a "[____]s" report dated as of [____] (the "Financial Forecast").

Market Analysis. The Market Analysis is attached hereto as Appendix B and should be read in its entirety. In the Market Analysis, King & Associates has reviewed residential value appreciation trends in the City and surrounding areas and provided an annual appreciation rate projection. King & Associates projects that multi-family units in the District will appreciate at an annual rate of 3.00%. As explained in "Financial Forecast" below, these assumptions have been used by [____] in the preparation of the projected payment schedule of the 2023B(3) Subordinate Bonds. In the title of the 2023B(3) Subordinate Bonds, the designation 2023B(3) indicates the 3% ongoing appreciation rate assumption. ***The Market Analysis 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. See “FORWARD-LOOKING STATEMENTS.”

Financial Forecast. [Update upon receipt] *The Financial Forecast is based on key assumptions and, like any forecast, is inherently subject to variations in the assumed data. Actual results will vary from those projected, and such variations may be material. See “FORWARD-LOOKING STATEMENTS.”*

Risk of Internal Revenue Service Audit

The Internal Revenue Service (the “Service”) has a program of auditing tax-exempt bonds which can include those issued by special purpose governmental units, such as the District, for the purpose of determining whether the Service agrees (a) with the determination of Bond Counsel that interest on the 2023B(3) Subordinate Bonds is tax-exempt for federal income tax purposes or (b) that the District is in or remains in compliance with Service regulations and rulings applicable to governmental bonds such as the 2023B(3) Subordinate Bonds. The commencement of an audit of the 2023B(3) Subordinate Bonds could adversely affect the market value and liquidity of the 2023B(3) Subordinate Bonds, regardless of the final outcome. An adverse determination by the Service with respect to the tax-exempt status of interest on the 2023B(3) Subordinate Bonds could adversely impact the secondary market, if any, for the 2023B(3) Subordinate Bonds, and, if a secondary market exists, would also be expected to adversely impact the price at which the 2023B(3) Subordinate Bonds can be sold. The 2023B(3) Subordinate Indenture does not provide for any adjustment to the interest rates borne by the 2023B(3) Subordinate Bonds in the event of a change in the tax-exempt status of the 2023B(3) Subordinate Bonds. If the Service audits the 2023B(3) Subordinate Bonds, under current audit procedures the Service will treat the District as the taxpayer during the initial stage of the audit, and the owners of the 2023B(3) Subordinate Bonds will have limited rights to participate in such procedures. There can be no assurance that the District will have revenues available to contest an adverse determination by the Service. No transaction participant, including none of the District, the Underwriter or Bond Counsel is obligated to pay or reimburse the owner of any 2023B(3) Subordinate Bond for audit or litigation costs in connection with any legal action, by the Service or otherwise, relating to the 2023B(3) Subordinate Bonds.

There can be no assurance that an audit by the Service of the 2023B(3) Subordinate Bonds will not be commenced. However, the District has no reason to believe that any such audit will be commenced, or that if commenced, an audit would result in a conclusion of noncompliance with any applicable Service regulation or ruling. No rulings have been or will be sought from the Service with respect to any federal tax matters relating to the issuance, purchase, ownership, receipt or accrual of interest upon, or disposition of the 2023B(3) Subordinate Bonds. See also “TAX MATTERS” herein.

Future Changes in Law

General. Various State laws, constitutional provisions and federal laws and regulations apply to the obligations created by the issuance of the 2023B(3) Subordinate Bonds and various agreements described herein. There can be no assurance that there will not be any change

in, interpretation of, or addition to the applicable provisions, laws and regulations, which would have a material effect, directly or indirectly, on the affairs of the District.

Federal and State Tax Law. From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the 2023B⁽³⁾ Subordinate Bonds or otherwise prevent holders of the 2023B⁽³⁾ Subordinate Bonds from realizing the full benefit of the tax exemption of interest on the 2023B⁽³⁾ Subordinate Bonds. Such proposals may impact the marketability or market value of the 2023B⁽³⁾ Subordinate Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the 2023B⁽³⁾ Subordinate 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 2023B⁽³⁾ Subordinate Bonds would be impacted thereby.

Purchasers of the 2023B⁽³⁾ Subordinate Bonds should consult their tax advisors regarding any potential, proposed or pending legislation, regulatory initiatives or litigation.

Legal Constraints on District Operations

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

Limitations on Remedies Available to Owners of the 2023B⁽³⁾ Subordinate Bonds

No Acceleration. There is no provision for acceleration of maturity of the principal of the 2023B⁽³⁾ Subordinate Bonds in the event of a default in the payment of principal or interest on the 2023B⁽³⁾ Subordinate Bonds. Consequently, remedies available to the owners of the 2023B⁽³⁾ Subordinate Bonds may have to be enforced from year to year.

Bankruptcy, Federal Lien Power and Police Power. The enforceability of the rights and remedies of the owners of the 2023B⁽³⁾ Subordinate Bonds and the obligations incurred by the District in issuing the 2023B⁽³⁾ Subordinate Bonds may be subject to the federal bankruptcy code (unless limited as described in the following paragraph), and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; the power of the federal government to impose liens in certain situations, which could result in a lien on the Subordinate Pledged Revenue

which is superior to the lien thereon of the 2023B⁽³⁾ Subordinate Bonds and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings (if available) or the exercise of powers by the federal or State government, if initiated, could subject the owners of the 2023B⁽³⁾ Subordinate Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The Special District Act provides that Colorado special districts may not seek protection under the federal bankruptcy code unless the special district is unable to discharge its obligations as they become due by means of a mill levy of not less than 100 mills. The 2023B⁽³⁾ Subordinate Indenture only requires that the District levy the Subordinate Required Mill Levy in the amount of 40.000 mills (subject to adjustment) less the amount of the Senior Bond Mill Levy. Accordingly, it may not be possible under State law for the District to file for bankruptcy, and no bankruptcy trustee will be available to represent the creditors of the District, including the Owners of the 2023B⁽³⁾ Subordinate Bonds. Bankruptcy protection may be available to the District, however, if the Subordinate Required Mill Levy ever equals or exceeds 100 mills or due to its adjustment mechanism or other unforeseen circumstances. The bankruptcy provisions of the Special District Act have not been interpreted by any Colorado appellate courts, however, and it is unclear how a court would apply some of these provisions.

No Known Secondary Market; No Rating

No assurance can be given concerning the future existence of a secondary market for the 2023B⁽³⁾ Subordinate Bonds, and prospective purchasers of the 2023B⁽³⁾ Subordinate Bonds should therefore be prepared, if necessary, to hold the 2023B⁽³⁾ Subordinate Bonds to maturity or prior redemption. No application has been or is intended to be made to any securities rating agency for a rating of the 2023B⁽³⁾ Subordinate Bonds.

Restrictions on Purchase; Investor Suitability

The 2023B⁽³⁾ Subordinate Bonds are being sold to one or more knowledgeable and experienced investors who are not purchasing with a view to distributing the 2023B⁽³⁾ Subordinate Bonds. All purchasers of the 2023B⁽³⁾ Subordinate Bonds must be a “financial institution or institutional investor” within the meaning of § 32-1-103(6.5), C.R.S. Moreover, the 2023B⁽³⁾ Subordinate Bonds are being issued in Authorized Denominations of at least \$500,000 of the principal amount Outstanding of the 2023B⁽³⁾ Subordinate Bonds at the applicable date of purchase or transfer of the 2023B⁽³⁾ Subordinate Bonds. Therefore, the 2023B⁽³⁾ Subordinate Bonds should not be purchased by an investor unless the investor is able to hold such 2023B⁽³⁾ Subordinate Bonds indefinitely.

The foregoing standards are minimum requirements for prospective purchasers of the 2023B⁽³⁾ Subordinate Bonds. The satisfaction of such standards does not necessarily mean the 2023B⁽³⁾ 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 2023B⁽³⁾ Subordinate Bonds is appropriate in light of its individual legal, tax and financial situation.

USES OF PROCEEDS

Refunding Project

The net proceeds from the sale of the 2023B(3) Subordinate Bonds in the amount of \$[_____] will be deposited with the trustee of the Lowell Metropolitan District Limited Tax General Obligation Bonds, Series 2004 (the “Refunded Bonds”) for use in refunding a portion of the Refunding Bonds. Proceeds from the 2023A Senior Bonds will be deposited with the trustee of the Refunded Bonds in the amount of \$[_____] for use in refunding a portion of the Refunded Bonds. On the date hereof, the beneficial owner of the Refunded Bonds is also forgiving a portion of the principal of and accrued interest on the Refunded Bonds. The 2023B(3) Subordinate Bonds and the 2023A Senior Bonds constitute a single plan of finance issued for the purpose of refunding the Refunding Bonds.

After the beneficial owner forgives a portion of the principal of and interest on the Refunded Bonds and the issuance of the 2023B(3) Subordinate Bonds and the 2023A Senior Bonds, the Refunded Bonds will no longer remain outstanding. The remaining proceeds of the 2023B(3) Subordinate Bonds will be used to pay the costs of issuing the 2023B(3) Subordinate Bonds.

The sources and uses of funds for the 2023B(3) Subordinate Bonds are anticipated to be as follows:

Sources and Uses of Funds*

<u>Sources:</u>	
Proceeds	\$
TOTAL.....	\$
 <u>Uses:</u>	
Transfer to trustee of Refunded Bonds	
Costs of issuance, underwriting discount (see “UNDERWRITING”) and contingency	
TOTAL.....	\$

Source: The Underwriter.

*Preliminary; subject to change.

THE 2023B(3) SUBORDINATE BONDS

Description

The 2023B(3) Subordinate Bonds are subordinate limited tax general obligations of the District payable from the Subordinate Pledged Revenue as provided in the 2023B(3) Subordinate Indenture. The maturity date and interest rate for the 2023B(3) Subordinate Bonds are set forth on the cover page hereof. For a complete statement of the details and conditions of the 2023B(3) Subordinate Bonds, reference is made to the 2023B(3) Subordinate Indenture, copies of which are available from the Underwriter prior to delivery of the 2023B(3) Subordinate Bonds. Portions of the 2023B(3) Subordinate Indenture are described in “THE 2023B(3) SUBORDINATE BONDS,” “SECURITY FOR THE 2023B(3) SUBORDINATE BONDS” and Appendix F – Summary of Certain Provisions of the 2023B(3) Subordinate Indenture. Capitalized terms not otherwise defined below are defined in Appendix F.

Authorized Denominations

The 2023B(3) Subordinate Bonds are being issued in “Authorized Denominations,” defined in the 2023B(3) Subordinate Indenture to mean, initially, the amount of \$500,000 or any integral multiple of \$1,000 in excess thereof, provided that: (a) no individual 2023B(3) Subordinate Bond of any series may be in an amount which exceeds the principal amount coming due on any maturity date for such series; and (b) in the event a 2023B(3) Subordinate Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such 2023B(3) 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.

Payment of Principal and Interest; Record Date

The 2023B(3) Subordinate Indenture provides that the principal of and premium, if any, on the 2023B(3) Subordinate Bonds are payable in lawful money of the United States of America to the Owner of each 2023B(3) Subordinate Bond upon maturity or prior redemption and presentation at the principal office of the Trustee. The interest on any 2023B(3) Subordinate Bond is payable to the person in whose name such 2023B(3) Subordinate Bond is registered, at his address as it appears on the registration books maintained by or on behalf of the District by the Trustee, at the close of business on the Record Date, irrespective of any transfer or exchange of such 2023B(3) Subordinate Bond subsequent to such Record Date and prior to such Interest Payment Date; provided that any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such unpaid interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the unpaid interest, and notice of the Special Record Date shall be given to the Owners of the 2023B(3) Subordinate Bonds not less than 10 days prior to the Special Record Date by first-class mail to each such Owner as shown on the registration books kept by the Trustee on a date selected by the Trustee. Such notice shall state the date of the Special Record Date and the date fixed for the payment of such unpaid interest.

Interest payments shall be paid by check or draft of the Trustee mailed on or before the Interest Payment Date to the Owners. The Trustee may make payments of interest on any 2023B(3) Subordinate Bond by such alternative means as may be mutually agreed to between the Owner of such 2023B(3) Subordinate Bond and the Trustee; provided that the District shall not be required to incur any expenses in connection with such alternative means of payment.

Subject to the Termination Date, to the extent principal of any 2023B(3) Subordinate Bond is not paid on or prior to the maturity date of such 2023B(3) Subordinate Bond, such principal shall remain Outstanding and shall continue to bear interest at the rate then borne by the 2023B(3) Subordinate Bond, and to the extent interest on any Bond is not paid when due, such interest shall compound on each Interest Payment Date, at the rate then borne by the 2023B(3) Subordinate Bond; provided however, that notwithstanding anything in the 2023B(3) Subordinate Indenture to the contrary, the District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the 2023B(3) Subordinate Bonds, including all payments of principal, premium if any, and interest, and all 2023B(3) Subordinate Bonds will be deemed defeased and no longer Outstanding upon the payment by the District of such amount.

Discharge on December 16, 2062

Notwithstanding any other provision of the 2023B(3) Subordinate Indenture, after application on December 15, 2062 of all available Subordinate Pledged Revenue to the payment of the 2023B(3) Subordinate Bonds, the 2023B(3) Subordinate Bonds and the lien of the 2023B(3) Subordinate Indenture securing payment thereof shall be deemed fully satisfied on the Termination Date of December 16, 2062, and on such date the 2023B(3) Subordinate Bonds shall be discharged and the 2023B(3) Subordinate Indenture shall terminate, and the estate and rights thereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel the 2023B(3) Subordinate Bonds and discharge the lien of the 2023B(3) Subordinate Indenture, and execute and deliver to the District such instruments in writing as shall be required to evidence the same. Upon such discharge, the Owners will have no recourse to the District or any property of the District for the payment of any amount of principal or interest on the 2023B(3) Subordinate Bonds remaining unpaid.

Prior Redemption

Optional Redemption. The optional redemption provisions of the 2023B(3) Subordinate Indenture will be provided in the final Limited Offering Memorandum.

Mandatory Redemption from Subordinate Bond Fund. The 2023B(3) Subordinate Bonds are subject to mandatory redemption, as a whole or in integral multiples of \$1,000, on December 15 of each year, commencing December 15, 2023, upon payment of par and accrued interest, without redemption premium, solely from and to the extent of amounts in the Subordinate Bond Fund as provided in the 2023B(3) Subordinate Indenture and described in “Funds and Accounts – Subordinate Bond Fund; Mandatory Redemption” below.

General Redemption Provisions. If less than all of the 2023B(3) Subordinate Bonds within a maturity are to be redeemed on any prior redemption date, the 2023B(3) Subordinate Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption, in such manner as

the Trustee shall determine. The 2023B⁽³⁾ Subordinate Bonds shall be redeemed only in integral multiples of \$1,000. In the event a 2023B⁽³⁾ Subordinate Bond is of a denomination larger than \$1,000, a portion of such 2023B⁽³⁾ Subordinate Bond may be redeemed, but only in the principal amount of \$1,000 or any integral multiple thereof. Such 2023B⁽³⁾ Subordinate Bond shall be treated for the purpose of redemption as that number of 2023B⁽³⁾ Subordinate Bonds which results from dividing the principal amount of such 2023B⁽³⁾ Subordinate Bond by \$1,000. In the event a portion of any 2023B⁽³⁾ Subordinate Bond is redeemed, the Trustee shall, without charge to the Owner of such 2023B⁽³⁾ Subordinate Bond, authenticate and deliver a replacement 2023B⁽³⁾ Subordinate Bond or 2023B⁽³⁾ Subordinate Bonds for the unredeemed portion thereof.

Notice and Effect of Redemption. In the event any of the 2023B⁽³⁾ Subordinate Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the 2023B⁽³⁾ Subordinate Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid) or by electronic means to DTC or its successors, not less than 20 days prior to the date fixed for redemption, to the Owner of each 2023B⁽³⁾ Subordinate Bond to be redeemed in whole or in part at the address shown on the registration books maintained by or on behalf of the District by the Trustee. Failure to give such notice by mailing to any Owner, or any defect therein, shall not affect the validity of any proceeding for the redemption of other 2023B⁽³⁾ Subordinate Bonds as to which no such failure or defect exists. The redemption of the 2023B⁽³⁾ 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 Trustee or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice shall be specifically subject to the deposit of funds by the District. All 2023B⁽³⁾ Subordinate Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

Funds and Accounts

Pursuant to the 2023B⁽³⁾ Subordinate Indenture, there are created the Subordinate Bond Fund and the Subordinate Costs of Issuance Fund, which are to be established, held and maintained by the Trustee in accordance with the provisions of the 2023B⁽³⁾ Subordinate Indenture.

Subordinate Bond Fund; Mandatory Redemption.

(a) *Credit of Subordinate Pledged Revenue.* After paying all costs described in FIRST of the section of the 2022B⁽³⁾ Subordinate Indenture entitled “Flow of Funds,” the amount described in SECOND of the section of the 2022B⁽³⁾ Subordinate Indenture entitled “Flow of Funds”.

(b) *Use of Moneys.* Moneys in the Subordinate Bond Fund shall be used by the Trustee solely to pay the principal of and interest on the 2023B⁽³⁾ Subordinate Bonds, in the following order:

FIRST: to the payment of interest due in connection with the 2023B⁽³⁾ Subordinate 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 2023B(3) Subordinate 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 2023B(3) Subordinate Bonds on any due date, the Trustee shall apply such amounts on such due date as follows:

FIRST: the Trustee shall pay such amounts as are available, proportionally in accordance with the amount of interest due on each 2023B(3) Subordinate Bonds.

SECOND: the Trustee shall apply any remaining amounts to the payment of the principal of as many 2023B(3) Subordinate Bonds as can be paid with such remaining amounts, such payments to be in increments of \$1,000 or any integral multiple thereof. 2023B(3) Subordinate Bonds or portions thereof to be redeemed pursuant to such partial payment shall be selected by lot from the 2023B(3) Subordinate Bonds the principal of which is due and owing on the due date.

(c) *Mandatory Redemption.* On each [November 15] the 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 2023B(3) 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 Trustee shall promptly give such notice of redemption and take such other actions as necessary to redeem as many 2023B(3) Subordinate Bonds as can be redeemed with such excess moneys. Such redemptions shall be made by the Trustee on the earliest practicable date, and amounts insufficient to redeem at least one 2023B(3) Subordinate Bonds in the denomination of \$1,000 will be retained in the Subordinate Bond Fund. The mandatory redemption provided in this Section shall be made by the Trustee without further instruction from the District and notwithstanding any instructions from the District to the contrary. Notwithstanding anything herein to the contrary, it is understood and agreed that borrowed moneys shall not be used for the purpose of redeeming principal of the 2023B(3) Subordinate Bonds pursuant to this paragraph without the approval of a majority in aggregate principal amount of the Consent Parties.

Application of the Subordinate Pledged Revenue

The District shall transfer all amounts comprising Subordinate Pledged Revenue to the Trustee as soon as may be practicable after the receipt thereof, and in no event later than the 15th day of the calendar month immediately succeeding the calendar month in which such revenue is received by the District; provided, however, that in the event that the total amount of Subordinate Pledged Revenue received by the District in a calendar month is less than \$50,000, the Subordinate

Pledged Revenue received during such calendar month may instead be remitted to the Trustee no later than the 15th day of the calendar month immediately succeeding the calendar quarter in which such revenue is received by the District (i.e., no later than April 15th for 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 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 Trustee all moneys pledged to the payment of such Additional Bonds which are derived from ad valorem taxes of the District, Specific Ownership Taxes and any such moneys shall constitute part of the Trust Estate. 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. To the extent permitted by law, the 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 herein; (ii) when credits to more than one fund, account, or purpose are required at any single priority level, such credits shall rank *pari passu* with each other, and (iii) when credits are required to go to funds or accounts which are not held by the Trustee under the 2022B₍₃₎ Subordinate Indenture, the Trustee may rely upon the written instructions of the District with respect to the appropriate funds or accounts to which such credits are to be made.

- FIRST: To the Trustee, in an amount sufficient to pay the Trustee Fees then due and payable;
- SECOND: To the credit of the Subordinate Bond Fund, the amounts required by the Section hereof entitled “Subordinate Bond Fund; Mandatory Redemption”, 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 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, to be used for any lawful purpose (including without limitation the payment of any Second Subordinate Bonds), any Subordinate Pledged Revenue remaining after the payments and accumulations set forth above.

Additional Covenants and Agreements of the District in the 2023B⁽³⁾ Subordinate Indenture

The District further irrevocably covenants and agrees in the 2023B⁽³⁾ Subordinate Indenture with each and every Owner that so long as any of the 2023B⁽³⁾ Subordinate Bonds remain Outstanding:

(a) The District shall not dissolve, merge, or otherwise alter its corporate structure in any manner or to any extent as might materially adversely affect the security provided for the payment of the 2023B⁽³⁾ Subordinate Bonds, and will continue to operate and manage the District and its facilities in an efficient and economical manner in accordance with all applicable laws, rules, and regulations; provided however, that the foregoing shall not prevent the District from dissolving pursuant to the provisions of the Special District Act.

(b) At least once a year the District will cause an audit to be performed of the records relating to its revenues and expenditures, and the District shall use its reasonable efforts to have such audit report completed no later than September 30 of the calendar year immediately succeeding 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 audit will be filed and recorded in the place, at the time, and in the manner provided by law.

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

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

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

(f) The District shall not: impose any rates, tolls, fees, penalties, or other charges on vacant lots or other undeveloped property within its boundaries which exceed the rates, tolls, fees, penalties, or other charges applicable to developed residential lots; or intentionally engage in any other action or omission that may materially impair future development or that could adversely affect the amount of the District's Subordinate Pledged Revenues or delay the timing of the District's transfer to the Trustee as soon as may be practicable after the receipt thereof, in accordance with the procedures of the 2023B⁽³⁾ Subordinate Indenture and as described above.

(g) In the event the Senior Pledged Revenue is insufficient or is anticipated to be insufficient to pay the principal of, premium if any, and interest on the Senior Bonds

when due, the District shall use commercially reasonable best efforts to refinance, refund, or otherwise restructure the Senior Bonds so as to avoid such insufficiency. For the avoidance of doubt, any refinancing, refunding or other restructuring of the Senior Bonds pursuant to this paragraph will be considered commercially reasonable if following such refinancing, refunding, or restructuring results, the Debt Service Coverage Ratio is not less than [_____] %.

(h) Except in connection with Permitted Refunding Bonds, the District will not amend or supplement any of the documents pertaining to the Series 2023A Senior Bonds in any way which (i) alters the amortization of the principal of the Series 2023A Senior Bonds, or (ii) increases the rate or rates of interest borne by the Series 2023A Senior Bonds, except upon the prior written consent of the Consent Parties with respect to 100% in aggregate principal amount of the Bonds.

(i) The District covenants to not amend the Cooperation Agreement in any manner that would materially adversely affect the Owners of the Bonds, unless such amendment is consented to by the Consent Parties owning a majority in aggregate principal amount of the Bonds Outstanding.

(j) The District covenants to use commercially reasonable efforts to enforce its rights and remedies under the Cooperation Agreement to ensure, to the best of its commercially reasonable efforts, the timely receipt of all related Subordinate Pledged Revenue expected to be received therefrom.

Book-Entry Only System

The 2023B⁽³⁾ Subordinate Bonds will be available only in book-entry form in the principal amount of \$500,000 and integral multiples of \$1,000 in excess thereof. DTC will act as the initial securities depository for the 2023B⁽³⁾ Subordinate Bonds. The ownership of one fully registered 2023B⁽³⁾ Subordinate Bond for each maturity, as set forth on the cover page of this Limited Offering Memorandum, in the aggregate principal amount of such maturity coming due thereon, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix D – Book-Entry Only System.

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2023B⁽³⁾ SUBORDINATE BONDS, REFERENCES IN THIS LIMITED OFFERING MEMORANDUM TO THE REGISTERED OWNERS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the District nor the Trustee will have any responsibility or obligation to DTC's Direct Participants or Indirect Participants (defined in Appendix D), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants or the beneficial owners of the 2023B⁽³⁾ Subordinate Bonds as further described in Appendix D to this Limited Offering Memorandum.

SECURITY FOR THE 2023B(3) SUBORDINATE BONDS

Subordinate Limited Tax General Obligations

The 2023B(3) Subordinate Bonds constitute subordinate limited tax general obligations of the District payable solely from and to the extent of the Subordinate Pledged Revenue as described herein. Principal of the 2023B(3) Subordinate Bonds, together with the interest thereon and any premium due in connection therewith, shall be payable from and to the extent of the Subordinate Pledged Revenue, including all moneys and earnings thereon held in the funds and accounts created in the 2023B(3) Subordinate Indenture, and the Subordinate Pledged Revenue is pledged to the payment of the 2023B(3) Subordinate Bonds. *The 2023B(3) Subordinate Bonds are not obligations of the City, the County, or the State.*

The 2023B(3) Subordinate Bonds constitute an irrevocable lien upon the Subordinate Pledged Revenue, but not necessarily an exclusive such lien. The 2023B(3) Subordinate Bonds are secured by a lien on the Subordinate Pledged Revenue on parity with the lien thereon of any additional Subordinate Bonds issued in the future under the 2023A Senior Indenture. See “RISK FACTORS – Limited Security for the 2023B(3) Subordinate Bonds”, “– Risks Related to Property Tax Revenues” and “DISTRICT DEBT STRUCTURE – General Obligation Debt – 2023A Senior Bonds.”

The 2023B(3) Subordinate Bonds are not secured directly by any lien on property located within the District; rather they are secured by the District’s covenant to certify to the Board of County Commissioners of the County the Subordinate Required Mill Levy. The Subordinate Required Mill Levy creates a statutory tax lien which may be enforced to the extent that taxes are delinquent in a given year.

Subordinate Pledged Revenue

The 2023B(3) Subordinate Indenture defines “Subordinate Pledged Revenue” as the moneys derived by the District from the following sources: (a) the Subordinate Required Mill Levy; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy; (c) all Subordinate Cooperation Agreement Revenue; and (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

Subordinate Required Mill Levy

Subordinate Required Mill Levy. The 2023B(3) Subordinate Indenture defines “Subordinate Required Mill Levy” as the following, net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County:

- (a) Subject to paragraph (b) below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in the amount of 40 mills (as adjusted as provided in this subsection (a)), less (i) the amount of the Senior Bond Mill Levy and (ii) the Operations Deduction, 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 September 12, 2000, the mill levy provided herein will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation. It is the intent hereof that if the amount of the Senior Bond Mill Levy equals or exceeds 40 mills in any year, adjusted for changes in law as aforesaid, the Subordinate Required Mill Levy for that year shall be zero.

(b) Notwithstanding anything in the 2023B(3) Subordinate Indenture to the contrary, in no event may the Subordinate Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Subordinate Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Subordinate Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

"Senior Bond Mill Levy" is defined in the 2023B(3) Subordinate Indenture as the ad valorem mill levy required to be used, paid, pledged, or otherwise applied in connection with any Senior Bonds by the documents pursuant to which such Senior Bonds are issued and secured.

The 2023A Senior Bonds constitute Senior Bonds under the 2023B(3) Subordinate Indenture and the Required Mill Levy imposed pursuant to the 2023A Senior Indenture constitutes a Senior Bond Mill Levy.

"Required Mill Levy" is defined in the 2023A Senior Indenture as 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 Senior Bond Fund for the relevant Bond Year and pay the 2023A Senior Bonds as they come due, and if necessary, an amount sufficient to replenish the Reserve Fund to the amount of the Required Reserve, but not in excess of 40 mills (subject to adjustment as described therein) less the Senior Operations Deduction, or such lesser mill levy which will fund the Senior Bond Fund for the relevant Bond Year and pay the 2023A Senior Bonds as they come due and will replenish the Reserve Fund to the amount of the Required Reserve; provided however, that in the event the method of calculating assessed valuation is or was changed after September 12, 2000, the maximum mill levy provided herein shall be increased or decreased to reflect such changes, such increase or decrease 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.

(b) Notwithstanding anything herein to the contrary, in no event may the Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Required Mill Levy as calculated pursuant to the foregoing would cause

the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Operations Deduction is defined in the 2023B⁽³⁾ Subordinate Indenture as five (5) mills, provided that the Operations Deduction is not adjusted to account for changes in the method of calculating assessed valuation that have occurred since, or will occur after, September 12, 2000.

Senior Operations Deduction is defined in the 2023 Senior Indenture as five (5) mills, provided that the Operations Deduction is not adjusted to account for changes in the method of calculating assessed valuation that have occurred since, or will occur after, September 12, 2000.

Subordinate Required Mill Levy Adjustment. In accordance with the 2023B⁽³⁾ Subordinate Indenture, if, on or after September 12, 2000, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, the maximum Subordinate Required Mill Levy of 40 mills *less* the amount of the Senior Bond Mill Levy is to be increased or decreased so that to the extent possible, the actual tax revenues generated by the mill levy are neither diminished nor enhanced as a result of such changes.

On June 5, 2017, the residential assessment rate was changed from 7.96% of statutory "actual" value to 7.20% of statutory "actual" value pursuant to the Gallagher Amendment (defined herein). Effective January 1, 2019, the residential assessment rate was changed from 7.20% of statutory "actual" value to 7.15% of statutory "actual" value pursuant to the Gallagher Amendment. In accordance with the 2023B⁽³⁾ Subordinate Indenture, the District will be required to increase the maximum Subordinate Required Mill Levy to [____] due to the reductions in the residential assessment rates resulting from the Gallagher Amendment, and will be required to further adjust the Subordinate Required Mill Levy to account for SB 293 (defined herein), SB 238 (defined herein) and other changes to the residential assessment rates. For additional information on the Gallagher Amendment, SB 293, SB 238 and the calculation of actual and assessed valuation generally, see "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes."

Covenant to Impose Subordinate Required Mill Levy. For the purpose of paying the principal of, premium if any, and interest on the 2023B⁽³⁾ Subordinate 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 2023 to 2052, in the amount of the Subordinate Required Mill Levy (and, to the extent necessary to make up any overdue payments on the Bonds, in each year thereafter but in no event later than 2061 for collection in 2062), in the amount of the Subordinate Required Mill Levy. ***Nothing in the 2023B⁽³⁾ 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 or to levy an ad valorem property tax beyond 2061 for collection in 2062***

The foregoing provisions of the 2023B⁽³⁾ Subordinate Indenture are thereby declared to be the certificate of the Board to the board or boards of county commissioners of each county in which taxable real or personal property of the District is located, showing the aggregate amount of taxes to be levied from time to time, as required by law, for the purposes aforesaid.

The amounts necessary to pay all costs and expenses incidental to the issuance of the 2023B(3) Subordinate Bonds and to pay the principal of, premium if any, and interest on the the 2023B(3) Subordinate Bonds when due are appropriated in accordance with the 2023B(3) Subordinate Indenture for said purposes, and such amounts as appropriate for each year shall also be included in the annual budget and the appropriation resolutions to be adopted and passed by the Board in each year, respectively, until the 2023B(3) Subordinate 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 2023B(3) Subordinate Indenture with reference to the levying and collection of taxes; and the Board shall cause said taxes to be levied, certified, and collected 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, 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 2023B(3) Subordinate Indenture.

Specific Ownership Tax.

The Subordinate Pledged Revenue includes any Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy. The 2023B(3) Subordinate Indenture defines “Specific Ownership Tax” as the specific ownership tax which is collected by the county and remitted to the District pursuant to §42-3-107, C.R.S., or any successor statute.

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

Each county apportions its S.O. Tax revenue to each political subdivision in the county in the proportion that the amount of ad valorem property taxes levied by the political subdivision in the previous year bears to the total amount of ad valorem property taxes levied by all political subdivisions in the county in the previous year. Based upon these percentages, each county then distributes S.O. Tax revenue to each political subdivision on the tenth day of each month. The amount of Specific Ownership Tax Revenues received by the District which is pledged

to the 2023B⁽³⁾ Subordinate Bonds depends in part upon the amount of the Subordinate Required Mill Levy. Furthermore, the amount of Specific Ownership Tax Revenues which will be received by the District in the future can be expected to fluctuate as the number of new car and truck registrations fluctuates. Specific Ownership Tax Revenues received by the District as a result of the imposition of any mill levies other than the Subordinate Required Mill Levy are not pledged to the 2023B⁽³⁾ Subordinate Bonds.

Subordinate Cooperation Agreement Revenue

The Subordinate Pledged Revenue includes all revenue derived from the Cooperation Agreement (i.e., the revenue derived from the imposition of the Subordinate Required Mill Levy on the Lot) that remains after application of the same to the payment of the 2023A Senior Bonds each Bond Year.

Events of 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 2023B(3) 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 hereunder except as provided below:

(a) The District fails or refuses to impose the Subordinate Required Mill Levy or to apply the Subordinate Pledged Revenue as required by the 2023B(3) 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 2023B(3) Subordinate Indenture or the Bond Resolution, other than as described in paragraph (a) above, and fails to remedy the same after notice thereof pursuant to the 2023B(3) Subordinate Indenture within the time frames set forth therein; 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 2023B(3) Subordinate Bonds.

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 2023B(3) Subordinate Bonds when due shall not, of itself, constitute an Event of Default hereunder. **WITHOUT LIMITING THE FOREGOING, AND NOTWITHSTANDING ANY OTHER PROVISION CONTAINED IN THE 2023B(3) 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 2023B(3) SUBORDINATE INDENTURE CONSTITUTES A VIOLATION OF THE TERMS OF THE 2023B(3) SUBORDINATE INDENTURE AND A BREACH OF THE COVENANTS MADE THEREUNDER FOR THE BENEFIT OF THE OWNERS OF THE 2023B(3) SUBORDINATE BONDS, WHICH SHALL ENTITLE THE TRUSTEE TO PURSUE, ON BEHALF OF THE OWNERS OF THE 2023B(3) SUBORDINATE BONDS, ALL AVAILABLE ACTIONS AGAINST THE DISTRICT IN LAW OR IN EQUITY, AS MORE PARTICULARLY PROVIDED IN THE 2023B(3) SUBORDINATE INDENTURE. THE DISTRICT FURTHER ACKNOWLEDGES AND AGREES THAT THE APPLICATION OF SUBORDINATE PLEDGED REVENUE IN VIOLATION OF THE COVENANTS OF THE 2023B(3) SUBORDINATE INDENTURE WILL RESULT IN IRREPARABLE HARM TO THE**

OWNERS OF THE 2023B(3) SUBORDINATE BONDS. IN NO EVENT SHALL ANY PROVISION OF THE 2023B(3) SUBORDINATE INDENTURE BE INTERPRETED TO PERMIT THE DISTRICT TO RETAIN ANY PORTION OF THE SUBORDINATE PLEDGED REVENUE.

Remedies on Occurrence of Event of Default.

(a) The 2023B(3) Subordinate Indenture provides that upon the occurrence and continuance of an Event of Default, the Trustee shall have the following rights and remedies which may be pursued:

(i) *Receivership.* Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the 2023B(3) Subordinate Indenture to, the Trustee.

(ii) *Suit for Judgment.* Subject to the 2023B(3) Subordinate Indenture, the Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Act, the 2023B(3) Subordinate Bonds, the Bond Resolution, the 2023B(3) Subordinate Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.

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

(b) No recovery of any judgment by the Trustee shall in any manner or to any extent affect the lien of the 2023B(3) Subordinate Indenture or any rights, powers, or remedies of the Trustee thereunder, or any lien, rights, powers, and remedies of the Owners of the 2023B(3) Subordinate Bonds, but such lien, rights, powers, and remedies of the Trustee and of the Owners shall continue unimpaired as before.

(c) If any Event of Default under paragraph (a) in “ - Events of Default” above shall have occurred and if requested by the Owners of not less than 25% in aggregate principal amount of the 2023B(3) Subordinate Bonds then Outstanding, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the 2023B(3) 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 2023B(3) Subordinate Indenture.

(d) Notwithstanding anything in the 2023B(3) Subordinate Indenture to the contrary, acceleration of the 2023B(3) Subordinate Bonds shall not be an available remedy for an

Event of Default nor shall the District be deemed to have waived 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 2023B(3) Subordinate 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 2023B(3) Subordinate Indenture, or for the appointment of a receiver, and any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of the 2023B(3) Subordinate Indenture; and provided further that at its option the Trustee shall be indemnified as provided in the 2023B(3) Subordinate Indenture.

2023B(3) Additional Bonds of the District

In General. After issuance of the 2023B(3) Subordinate Bonds, no 2023B(3) Additional Bonds may be issued except in accordance with the provisions of the 2023B(3) Subordinate Indenture. Nothing in the 2023B(3) Subordinate Indenture shall affect or restrict the right of the District to issue or incur obligations which are not 2023B(3) Additional Bonds under the 2023B(3) Subordinate Indenture.

Series 2023A Senior Bonds. The District may issue the Series 2023A 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 2023B(3) Subordinate Indenture.

Permitted Refunding Bonds. The District may issue 2023B(3) 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 2023B(3) Subordinate Indenture.

Additional Subordinate Bonds. The District may not issue 2023B(3) Additional Bonds which constitute Subordinate Bonds.

Second Subordinate Bonds. The District may issue Second Subordinate Bonds if each of the following conditions are met as of the date of issuance of such Second Subordinate Bonds:

(a) The maximum mill levy which the District promises to impose for payment of the Second Subordinate Bonds is not higher than the maximum Subordinate Required Mill Levy, and subject to the same deductions and adjustments as the Subordinate Required Mill Levy.

(b) No amounts can be payable on the Second Subordinate Bonds so long as any Bonds are Outstanding.

Issuance by Consent. Except as provided in the 2023B⁽³⁾ Subordinate Indenture the District may issue 2023B⁽³⁾ Additional Bonds only if the Consent Parties with respect to 100% in aggregate principal amount of the 2023B⁽³⁾ Subordinate Bonds then Outstanding consent to the issuance of such 2023B⁽³⁾ Additional Bonds

**DEBT SERVICE REQUIREMENTS AND ESTIMATED PAYMENTS ON THE
2023A SENIOR BONDS AND 2023B(3) SUBORDINATE BONDS**

Set forth in the following chart are the: (i) debt service requirements for the 2023A Senior Bonds through calendar year 2052; and (ii) the forecasted payments of the 2023B(3) Subordinate Bonds (based on the base case of the Financial Forecast). ***There is no assurance that the principal of and interest on the 2023A Senior Bonds or the 2023B(3) Subordinate Bonds will be paid as shown on this chart.*** [Complete upon receipt of Financial Forecast]

2023A Senior Bonds Debt Service Requirements and 2023B(3) Subordinate Bonds Estimated Payments

Year	2023A Senior Bonds			2023B(3) Subordinate Bonds*			ESTIMATED TOTAL
	Principal	Interest	Total	Estimated Principal	Estimated Interest	Estimated Total	
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
2042							
2043							
2044							
2045							
2046							
2047							
2048							
2049							
2050							
2051							
2052							
TOTAL ⁽⁴⁾							

Sources: The underwriter of the 2023A Senior Bonds and the Financial Forecast attached as Appendix C.

*Preliminary; subject to change.

PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT

Ad Valorem Property Taxes

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

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

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

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

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

years immediately prior to the July 1 preceding the beginning of the two-year reassessment cycle (adjusted to the final day of the data-gathering period). For example, values for levy year 2021 (collection year 2022) are based on an analysis of sales and other information for the period January 1, 2019 to June 30, 2020. The following table sets forth the State Property Appraisal System for property tax levy years 2017 through 2021:

<u>Collection Year</u>	<u>Levy Year</u>	<u>Value Calculated As Of</u>	<u>Based on the Market Period</u>
2018	2017	July 1, 2016	Jan. 1, 2015 to June 30, 2016
2019	2018	July 1, 2016	Jan. 1, 2015 to June 30, 2016
2020	2019	July 1, 2018	Jan. 1, 2017 to June 30, 2018
2021	2020	July 1, 2018	Jan. 1, 2017 to June 30, 2018
2022	2021	July 1, 2020	Jan. 1, 2019 to June 30, 2020

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

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

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

Residential Property. For levy year 2021 (collection year 2022), residential property was assessed at 7.15%. Residential assessment rates may be changed by the Colorado General Assembly and by the eligible electors at a State-wide election, and any increases would require voter approval pursuant to TABOR. Set forth below is a description of: (i) the Gallagher Amendment (defined below) which led to the reduction in residential assessment rates from 1982-2019 and which was repealed in November 2020, (ii) SB 293 (defined below) which became law in 2021 and which temporarily reduces the residential assessment rates on certain classes of residential real property; and (iii) SB 238 (defined below) which became law in 2022 and further reduces the assessment rates on certain classes of real property in 2023, reduces the actual value on certain classes of real property in 2023, and extends the temporary reductions in assessment rates on certain classes of real property to levy year 2024.

Gallagher Amendment. From 1982 to 2020, the State constitution (in a provision referred to as the “Gallagher Amendment”) required the Colorado General Assembly to calculate and potentially adjust the residential assessment rate every two years. The most recent adjustments occurred in 2017 and in 2019. On June 5, 2017, the residential assessment

rate was changed from 7.96% of statutory “actual” value to 7.20% of statutory “actual” value. Effective January 1, 2019, the residential assessment rate was changed from 7.20% of statutory “actual” value to 7.15% of statutory “actual” value. On November 3, 2020, however, Colorado voters approved an amendment to the Colorado Constitution which repealed the Gallagher Amendment. Accordingly, the Colorado General Assembly is no longer required to recalculate the residential assessment rate every two years.

SB 293. On June 23, 2021, Senate Bill 21-293 (“SB 293”) became law. SB 293 classifies multi-family residential real property as a new subclass of residential real property and temporarily reduces residential assessment rates. In accordance with SB 293, the assessment rate for multi-family residential property will be temporarily reduced from 7.15% to 6.80% for levy years 2022 and 2023, and then indefinitely return to 7.15% in levy year 2024. 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.

SB 238. On May 16, 2022, Senate Bill 22-238 (“SB 238”) became law. SB 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 “ – Determination of Statutory Actual Value”) by the lesser of: (a) \$15,000 or (b) the amount that reduces the actual value for assessment to \$1,000, (ii) temporarily 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 238, equals \$700,000,000. Also in accordance with SB 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 238, as further set forth therein, during the 2023 property tax collection year. County treasurers must then distribute these reimbursements to certain local governmental entities which realized a reduction in property tax revenues as a result of SB 238. In accordance with SB 238, the assessment rate on all residential property would then indefinitely return to 7.15% in levy year 2025.

Non-residential property. For levy year 2021 (collection year 2022), all non-residential taxable real and personal property, with certain specified exceptions, was assessed at 29% of its statutory actual value. Producing oil and gas property is generally assessed at 87.5% of the selling price of the oil and gas. Non-residential assessment rates may be changed by the Colorado General Assembly and by the eligible electors at a State-wide election, and any increases would require voter approval pursuant to TABOR.

SB 293 classifies agricultural property, lodging property, and renewable energy production property as new subclasses of non-residential property, and temporarily reduces certain non-residential assessment rates. In accordance with SB 293, the assessment rate for lodging property will remain at 29%. SB 293 also provides that the assessment rate for agricultural property and renewable energy production property will be temporarily reduced from 29% to 26.4% for levy years 2022 and 2023, and then indefinitely return to 29% in levy year 2024.

SB 238: (i) reduces the assessment rate for lodging property and all property listed by the Assessor under any Improved Commercial Subclass Codes from 29% to 27.9% in levy year 2023, and reduces the calculation of the actual value of such property (as described above in “ – Determination of Statutory Actual Value”) by the lesser of: (a) \$30,000 or (b) the amount that reduces the actual value for assessment to \$1,000, (ii) reduces the assessment rate for all non-residential property other than lodging property, agricultural property, renewable energy production property or property listed by the Assessor under any Improved Commercial Subclass Codes, from 29% to 27.9% in levy year 2023, and (iii) reduces the assessment rate for agricultural property and renewable energy production property from 29% to 26.4% for levy year 2024.

Adjustments to Subordinate Required Mill Levy. In accordance with the 2023B⁽³⁾ Subordinate Indenture, if, after January 1, 2004, there were or are changes in law with respect to the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, the Subordinate Required Mill Levy 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 revenue generated by such mill levy, as so adjusted, is neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of assessed valuation to actual valuation shall be deemed to be a change in the method of calculating assessed valuation.

Therefore, the District will be required to increase its Subordinate Required Mill Levy to account for changes to the residential assessment rates resulting from the Gallagher Amendment, and future changes to the residential assessment rates resulting from SB 293 and SB 238. It is anticipated that the District will determine that the maximum Subordinate Required Mill Levy will be 55.664 due to the reductions in the residential assessment rates resulting from the Gallagher Amendment, and the District will be required to further adjust the Subordinate Required Mill Levy to account for SB 293, SB 238 and other changes to the residential assessment rates. See “SECURITY FOR THE 2023B⁽³⁾ SUBORDINATE BONDS.”

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

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

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

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

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

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes required to be certified in December 2022 will be collected in 2023. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or in two equal installments (not later than the last day of February and June 15th) without interest or penalty. Interest accrues on unpaid first installments at the rate of 1% per month from March 1 until the date of payment unless the whole amount is paid by April 30. If the second installment is not paid by June 15, the unpaid installment will bear interest at the rate of 1% per month from June 16 until the date of payment. Notwithstanding the

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

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

Potential for Creation of Tax Increment Entity. Various Colorado statutes allow the formation of tax increment entities, such as urban renewal authorities, downtown development authorities and transportation authorities. In particular, the Colorado Urban Renewal Law (the "URA Law") allows the formation of urban renewal authorities in certain areas which have been designated by the governing bodies of municipalities as blighted areas. The District is currently located in the City, which has formed the Aurora Urban Renewal Authority, but are not located in an urban renewal area or other tax increment area. If the property in the District ever becomes located within such an area, however, the provisions of the URA Law or other applicable tax increment will become applicable to such property. In that event, the assessed valuation of the property in the District would not increase beyond the amount existing in the year prior to the commencement of the tax increment plan (other than by means of the general reassessment).

Ad Valorem Property Tax Data

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

History of Assessed Valuations for the District

Levy/ Collection Year	Gross Assessed Valuation	Percent Change	Urban Renewal Authority Tax Increment	Net Assessed Valuation	Percent Change
2018/2019	\$4,629,580	--	\$ --	\$4,629,580	--
2019/2020	5,167,590	11.6%	--	5,167,590	11.6%
2020/2021	5,274,940	2.1	--	5,274,940	2.1
2021/2022	6,498,530	23.2	16,410	6,482,120	22.9
2022/2023	5,939,310	(8.6)	19,060	5,920,250	(8.7)

Source: El Paso County Assessor's Office.

History of Mill Levies for the District

Levy/ Collection Year	Mill Levies		
	General Fund	Bond Redemption	Total
2017/2018	5.000	49.110	54.110
2018/2019	5.000	49.110	54.110
2019/2020	5.000	49.110	54.110
2020/2021	5.000	49.110	54.110
2021/2022	5.000	49.110	54.110
2022/2023	n/a ⁽¹⁾	n/a ⁽¹⁾	n/a ⁽¹⁾

(1) The 2022 mill levies for collection of taxes in 2023 will not be certified until December 2022.

Source: The District.

The following table sets forth a history of the District's ad valorem property tax collections.

Property Tax Collections for the District

Levy/Collection Year	Taxes Levied ⁽¹⁾	Current Tax Collections ⁽²⁾	Collection Rate
2016/2017	\$221,244	\$220,261	99.56%
2017/2018	254,114	254,114	100.00
2018/2019	250,507	250,507	100.00
2019/2020	279,618	275,800	98.63
2020/2021	285,427	284,914	99.82
2021/2022 ⁽³⁾	350,748	332,328	94.75

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

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

(3) As of November 30, 2022. Taxes levied in levy year 2021 are net of the revenue \$888 attributable to the Urban Renewal Authority

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, *Annual Reports*, 2016-2021, and El Paso County Treasurer's Office.

Based upon information available from the County Assessor's Office, the following table sets forth the top ten owners of the taxable properties within the District. No independent investigation has been made of and consequently there can be no representation as to the financial conditions of the owners of taxable property listed below or that such owners will continue to maintain their status as major owners of taxable property in the District.

Top Ten Owners of Taxable Property in the District

<u>Taxpayer Name</u>	<u>2022 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation⁽¹⁾</u>
Draper Commons Land Holdings LLC ⁽²⁾	\$529,710	8.92%
Faultless Laundry, LLC	319,940	5.39
Nanbar LLC	298,240	5.02
Sosume Properties LLC	199,750	3.36
QOF Lowell Commons LLC	159,070	2.68
Weber Apartments LLC	152,720	2.57
Schultz Partnership LLLP	151,490	2.55
345 Rio Grande LLC	144,840	2.44
ACI Properties LLC	140,220	2.36
Presidio Condominiums at Lowell Neighborhood LLC	<u>110,100</u>	<u>1.85</u>
TOTAL	<u>\$2,206,080</u>	<u>37.14%</u>

(1) Based on a 2022 preliminary gross assessed valuation of \$6,381,100. All valuations herein are subject to change on or before December 10, 2022.

(2) Includes Draper Commons LLLP.

Source: El Paso County Assessor's Office.

The following table sets forth the current assessed valuation of specific classes of real and personal property within the District.

2022 Assessed Valuation of Classes of Property in the District

<u>Property Class</u>	<u>Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Residential	\$3,058,840	51.50%
Commercial	1,324,720	22.31
Vacant	1,248,400	21.02
Industrial	298,240	5.02
State Assessed	<u>9,110</u>	<u>0.15</u>
TOTAL	<u>\$5,939,310</u>	<u>100.00%</u>

Source: El Paso County Assessor's Office.

Mill Levies Affecting Property Owners Within the District

In addition to the District's ad valorem property tax levy, owners of property within the District are obligated to pay taxes to other taxing entities in which their property is located. As a result, property owners within the District's boundaries may be subject to different mill levies depending upon the location of their property. The following table reflects sample mill levies that may be imposed on certain properties within the District and is not intended to portray the mills

levied against all properties within the areas shown. Property owners within the areas indicated may be subject to larger or smaller total mill levy than the samples given in the following table.

2021 Mill Levies Affecting District Property Owners

<u>Taxing Entity</u>	<u>Mill Levy⁽¹⁾</u>
Colorado Springs School District No.11	44.054
El Paso County	7.285
Colorado Springs Downtown Development Authority	5.000
City of Colorado Springs	4.094
Pikes Peak Library District	3.490
Southeastern Colorado Water Conservancy District	<u>0.839</u>
Total Overlapping Mill Levy	64.762
District	<u>54.110</u>
Total Sample Mill Levy	<u>118.872</u>

(1) One mill equals 1/10 of one cent. Mill levies certified in 2021 are for the collection of ad valorem property taxes in 2022.

Source: El Paso County Assessor's Office.

Estimated Overlapping General Obligation Debt

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

Estimated Overlapping General Obligation Indebtedness

Entity ⁽¹⁾	2022 Assessed Valuation ⁽²⁾	Outstanding General Obligation Debt	Outstanding General Obligation Debt Attributable to the District	
			Percent ⁽³⁾	Amount
Colorado Springs School District No.11	\$3,486,372,030	\$57,645,000	0.17	\$97,996
Southeastern Colorado Water Conservancy District ⁽⁴⁾	11,318,579,758	13,208,149	0.05	<u>6,604</u>
TOTAL				<u>\$104,600</u>

- (1) The following entities also overlap with the District but they have no reported general obligation debt outstanding: City of Colorado Springs, Colorado Springs Downtown Development Authority, El Paso County, and Pikes Peak Library District.
- (2) The final 2022 assessed valuation certified by the County Assessor will determine the collection of ad valorem property taxes in 2023.
- (3) The percentage of each entity’s outstanding debt chargeable to District property owners is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity. To the extent the District’s assessed valuation changes disproportionately with the assessed valuation of the overlapping entities, the percentage of debt for which District property owners are responsible will also change.
- (4) The Southeastern Colorado Water Conservancy District (“SECWCD”) is comprised of portions of nine Colorado counties. SECWCD’s debt consists of a contractual obligation with the U.S. Bureau of Reclamation for payment of the reimbursable costs of the Fryingpan-Arkansas Project. Revenues to meet payments are provided via an ad valorem mill levy applied against property within the nine counties and fees charged for sale and storage of water. SECWDC dedicates nine-tenths of its mill levy to the contractual obligation.

Sources: El Paso County Assessor’s Office; and individual taxing entities.

DISTRICT DEBT STRUCTURE

Required Elections

Various State constitutional and statutory provisions require voter approval prior to the incurrence of general obligation indebtedness by the District. Among such provisions, Article X, Section 20 of the Colorado Constitution (the Taxpayers Bill of Rights, or “TABOR”) requires that, except for refinancing bonded debt at a lower interest rate, the District must have voter approval in advance for the creation of any multiple-fiscal year direct or indirect district debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. For a discussion of TABOR, see “LEGAL MATTERS – Certain Constitutional Limitations.” For a discussion of the District’s debt election, see “ - General Obligation Debt – Authorized but Unissued Debt” below. The issuance of the 2023B(3) Subordinate Bonds does not require an election under State law because the issuance of the 2022A Senior Bonds and the 2023B(3) Subordinate Bonds constitute a single plan of finance with a blended rate that is lower than the interest rate of the Refunded Bonds.

General Obligation Debt

Statutory Debt Limit. The District is subject to a statutory debt limitation established pursuant to Section 32-1-1101(6), C.R.S. This limitation provides that, with certain exceptions, the total principal amount of general obligation debt issued by a special district shall not at the time of issuance exceed the greater of \$2,000,000 or 50% of the special district's assessed valuation. The 2022 certified assessed value for the District is \$5,920,250, resulting in a debt limit of \$2,960,125. The 2023B⁽³⁾ Subordinate Bonds will not exceed this amount. Additionally, the 2023B⁽³⁾ Subordinate Bonds qualify for an exception from the debt limitation statute as they are being issued only to financial institutions or institutional investors.

2004 Bonds. On December 29, 2004, the District issued its Limited Tax General Obligation Bonds, Series 2004, in the original aggregate principal amount of \$9,300,000 (previously defined as the "Refunded Bonds"). The 2023A Senior Bonds and the 2023B⁽³⁾ Subordinate Bonds will partially refund the 2004 Bonds, as further described below and in "USES OF PROCEEDS." The beneficial owner of the Refunded Bonds is also forgiving a portion of the principal of and accrued interest on the Refunded Bonds.

2023A Senior Bonds. Concurrently with the issuance of the Bonds, the District is issuing its General Obligation Limited Tax Refunding Bonds, Series 2023A, in the aggregate principal amount of \$[2023A Principal Amount] (previously defined as the "2023A Senior Bonds"). The 2023A Senior Bonds are issued by the District pursuant to an Indenture of Trust dated as of January 1 2023 (previously defined as the "2023A Senior Indenture"). In accordance with the 2023A Senior Indenture, the 2023A Senior Pledged Revenue¹ pledged to the payment of the 2023A Senior Bonds includes, the moneys derived by the District from the following sources: (a) the Required Mill Levy; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

"Required Mill Levy" is generally defined in the 2023A Senior Indenture as 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, but not in excess of 40 mills (subject to adjustment as provided therein), less the Senior Operations Deduction, or such lesser mill levy which will fund the Bond Fund for the relevant Bond Year and pay the Bonds as they come due and will replenish the Reserve Fund to the amount of the Required Reserve (subject to adjustment).

Senior Operations Deduction is defined in the 2023A Senior Indenture as five (5) mills; provided that the Operations Deduction is not adjusted to account for changes in the method of calculating assessed valuation that have occurred since, or will occur after, September 12, 2000.

¹ Defined in the 2023A Senior Indenture as Pledged Revenue, but defined herein as 2023A Senior Pledged Revenue to differentiate such revenue from the Subordinate Pledged Revenue.

Redemption of the 2023A Senior Bonds. The 2023A Senior Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2027, and on any date thereafter, at a redemption price equal to the principal amount redeemed, plus accrued interest thereon to the redemption date.

The 2023A Senior Bonds also are subject to mandatory sinking fund redemption prior to the maturity date of such 2023A Senior Bonds, in part, by lot, upon payment of par and accrued interest, without redemption premium, on the dates and in the amounts in “DEBT SERVICE REQUIREMENTS AND ESTIMATED PAYMENTS ON THE 2023A SENIOR BONDS AND 2023B₍₃₎ SUBORDINATE BONDS.”

2023A Additional Bonds. After issuance of the 2023A Senior Bonds, no 2023A Additional Bonds¹ may be issued except in accordance with the provisions of the 2023A Senior Indenture. Nothing in the 2023A Senior Indenture shall affect or restrict the right of the District to issue or incur obligations which are not 2023A Additional Bonds thereunder; provided that notwithstanding the foregoing or anything therein 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 Senior Pledged Revenue or any part thereof superior to the lien thereon of the 2023A Senior Bonds.

The District may issue the 2023B₍₃₎ Subordinate Bonds on such terms and conditions as may be determined by the District without compliance with any of the other terms and conditions of 2023A Senior Indenture

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 2023A Senior Indenture.

The District may only issue additional 2023A Parity Bonds if the Consent Parties with respect to 100% in aggregate principal amount of the 2023A Senior Bonds then Outstanding consent to the issuance of such 2023A Parity Bonds, but not limiting the District’s ability to issue 2023A Parity Bonds constituting 2023A Permitted Refunding Bonds.

In addition to the Series 2023B₍₃₎ Subordinate Bonds, the District may issue 2023A Subordinate Bonds if such issuance is consented to by the Consent Parties with respect to a majority in aggregate principal amount of the 2023A Senior Bonds then Outstanding, provided that, with or without such consent, the District may issue 2023A Subordinate Bonds if each of the following conditions are met as of the date of issuance of such 2023A Subordinate Bonds

- (a) The maximum mill levy which the District promises to impose for payment of the 2023A Subordinate Bonds is not higher than the maximum Required Mill Levy as determined under the definition of such term in the 2023A Senior Indenture, less the mill levy required to be applied in

¹ Defined in the 2023A Senior Indenture as Additional Bonds, but defined herein as 2023A Additional Bonds to differentiate such bonds from the 2023B₍₃₎ Additional Bonds.

connection with the 2023A Senior Bonds, and subject to the same deductions and adjustments as the Required Mill Levy.

(b) The 2023A Subordinate Bonds are payable as to both principal and interest on an annual basis, on a date in any calendar year which is after the final principal or interest payment date due in that calendar year on the Bonds

A written certificate by the President, Vice President, or Treasurer of the District that the conditions for issuance of 2023A Additional Bonds as set forth in the 2023A Senior Indenture are met shall conclusively determine the right of the District to authorize, issue, sell, and deliver such 2023A Additional Bonds in accordance therewith.

Outstanding Debt Obligations. Upon issuance of the 2023B(3) Subordinate Bonds, the 2023A Senior Bonds and 2023B(3) Subordinate Bonds will be the only outstanding limited tax general obligation indebtedness of the District. The estimated payments of principal and interest on the 2023A Senior Bonds and 2023B(3) Subordinate Bonds are set forth in “DEBT SERVICE REQUIREMENTS AND ESTIMATED PAYMENTS ON THE 2023A SENIOR BONDS AND 2023B(3) SUBORDINATE BONDS.”

Authorized but Unissued Debt. The District’s authority to issue additional debt is restrained by the Election, the Service Plan, the 2023A Senior Indenture and the 2023B(3) Subordinate Indenture. These limitations are described below.

Election. The District held an election on November 7, 2000, at which the District authorized the issuance of debt (the “Election”). The debt authorized by the Election was required to be issued within five years of the date of the Election. The District has not conducted any further electoral authorization. Accordingly, the District has no electoral authorization, so the issuance of new debt would require voter approval. The issuance of the 2023B(3) Subordinate Bonds does not require an election under State law because the issuance of the 2022A Senior Bonds and the 2023B(3) Subordinate Bonds constitute a single plan of finance with a blended rate that is lower than the interest rate of the Refunded Bonds.

Service Plan. The Service Plan imposes a total limited tax general obligation bond debt limit for the District of \$9,300,000. After issuance of the 2023A Senior Bonds and the 2023B(3) Subordinate Bonds, \$[_____] of this authorization will remain unissued.

By acceptance of the 2023B(3) Subordinate Bonds, the owner of the 2023B(3) Subordinate Bonds agrees and consents to all of the limitations in respect of the payment of the principal of and interest on the 2023B(3) Subordinate Bonds contained in the 2023B(3) Subordinate Bonds, in the Bond Resolution and in the Service Plan.

2023A Senior Indenture. The 2023A Senior Indenture limits the District’s ability to issue additional debt as described above in “ – General Obligation Debt – 2023A Senior Bonds.”

2023B(3) Subordinate Indenture. The 2023B(3) Subordinate Indenture limits the District’s ability to issue additional debt as described in “SECURITY FOR THE 2023B(3) SUBORDINATE BONDS – 2023B(3) Additional Bonds of the District.”

Selected Debt Ratios

The following table sets forth ratios of direct limited tax general obligation debt of the District (after giving effect to the issuance of the 2023B⁽³⁾ Subordinate Bonds) and overlapping debt within the District (only for those entities which currently pay their general obligation debt through a mill levy assessed against property within the District) to the 2022 certified assessed valuation and statutory actual value of the District.

Selected Debt Ratios of the District as of the Date of Issuance of the 2023B(3) Subordinate Bonds (Unaudited)

Direct Debt ⁽¹⁾	
Overlapping Debt ⁽²⁾	
Total Direct Debt and Overlapping Debt	_____
2022 District Certified Assessed Valuation	
Direct Debt to 2022 Certified Assessed Valuation	
Direct Debt Plus Overlapping Debt to 2022 Certified Assessed Valuation	
2022 District Statutory “Actual” Value ⁽³⁾	
Direct Debt to 2022 Statutory “Actual” Value	
Direct Debt Plus Overlapping Debt to 2022 Statutory “Actual” Value	

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- (1) Represents the aggregate par amount of the 2023A Senior Bonds and 2023B⁽³⁾ Subordinate Bonds.
 - (2) Figure is estimated based on information supplied by other taxing authorities and does not include self-supporting general obligation debt. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Estimated Overlapping General Obligation Debt” and the footnote regarding the type of overlapping debt which is included.
 - (3) This figure has been calculated using a statutory formula under which assessed valuation is calculated at 7.15% of the statutory “actual” value of any residential property in the District (of which there is currently none), and 29% of the statutory “actual” value of other property within the District (with certain specified exceptions). Statutory “actual” value is not intended to represent market value. See “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes.”

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

THE DISTRICT

Organization and Description

The District is a quasi-municipal corporation and a political subdivision of the State created pursuant to the Special District Act. The District was organized on May 29, 2002, pursuant to an Order and Decree issued by the District Court of El Paso County, which was recorded in the real property records of the County on June 4, 2002. Formation of the District was preceded by the conditional approval thereof by the City Council of Colorado Springs, Colorado of a Service Plan for Lowell Metropolitan District on September 12, 2000 and the final approval of the Service Plan on April 23, 2002 (previously defined as the “Service Plan”).

In accordance with the Service Plan, it is intended that the District will provide a part or all of the public improvements for the use and benefit of all anticipated inhabitants and

taxpayers of the District. The District contains approximately 48.6 acres. The District is located in the central part of the City, approximately four blocks from the center of the City's downtown. The District is bounded to the north by E Rio Grande Street, to the west by S. Nevada Avenue, to the south by the Rio Grande Main Line railroad tracks and to the east by South Shooks Run Park.

Development within the District

The existing property in the District consists of townhomes, apartment buildings, certain commercial property, a pocket park, and open space. According to the Market Study, the remaining undeveloped land within the District is planned to be developed into approximately 434 multi-family units (the "Development") comprised of 154 market rate apartment units, 280 affordable apartment units, and 95 affordable housing apartment units geared toward senior citizens. According to the Market Study, 89 of such apartment units are planned for completion in 2023. The Market Study projects all of the planned units to be completed over a five-year period, extending from 2023 through 2027. *Notwithstanding the forgoing, the District makes no representations that any of the planned multi-family units described in the Market Study will be completed. [Discuss entitlement status.]*

Inclusion, Exclusion, Consolidation and Dissolution

Inclusion of Property. The Special District Act provides that the boundaries of a special district may be altered by the inclusion of additional real property under certain circumstances. After its inclusion, the included property is subject to all of the taxes and charges imposed by the special district and shall be liable for its proportionate share of existing bonded indebtedness of the special district. Pursuant to the Service Plan, prior to the inclusions of property into the District, the District must obtain the approval of the City Council following a public hearing thereon. At the present time, no inclusions are pending or expected.

Exclusion of Property. The Special District Act provides that the boundaries of a special district also may be altered by the exclusion of real property from the special district under certain circumstances. After its exclusion, the excluded property is no longer subject to the special district's operating mill levy, and is not subject to any debt service mill levy for new debt issued by the special district after the effective date of the exclusion. The excluded property, however, remains subject to the special district's debt service mill levy for that proportion of the special district's outstanding indebtedness and the interest thereon existing immediately prior to the effective date of the exclusion order. Pursuant to the Service Plan, prior to the exclusion of property from the District, the District must obtain the approval of the City Council following a public hearing thereon. At the present time, no exclusions are pending or expected.

Consolidation With Other Districts. Two or more special districts may consolidate into a single district upon the approval of the District Court and of the electors of each of the consolidating special districts. The District Court order approving the consolidation can provide that the consolidated district assumes the debt of the districts being consolidated. If so, separate voter authorization of the debt assumption is required. If such authorization is not obtained, then the territory of the prior district will continue to be solely obligated for the debt after the consolidation. The Service Plan prohibits the District from filing a request with any Court to

consolidate with another Title 32 district without prior written consent from the City. At the present time, no consolidations with other districts are pending or expected.

Dissolution of the District. The Special District Act allows a special district board of directors to file a dissolution petition with the District Court. The District Court must approve the petition if the special district's plan for dissolution meets certain requirements, generally regarding the continued provision of services to residents and the payment of outstanding debt. Dissolution must also be approved by the special district's voters. If the special district has debt outstanding, the district may continue to exist for only the limited purpose of levying its debt service mill levy and discharging the indebtedness. In no event shall dissolution occur until the District has provided for the payment or discharge of all of its outstanding indebtedness and other financial obligations as required pursuant to State statutes.

District Powers

The rights, powers, privileges, authorities, functions and duties of the District are established by the laws of the State, particularly the Special District Act, which provides that the Board has certain powers including, but not limited to, the power: to have perpetual existence; to sue and be sued; to enter into contracts and agreements; to incur indebtedness and revenue obligations; to acquire, dispose of, and encumber real and personal property; to have the management, control, and supervision of all the business and affairs of the special district and all construction, installation, operation, and maintenance of special district improvements; to appoint, hire, and retain agents, employees, engineers, and attorneys; to fix and from time to time increase or decrease fees, rates, tolls, penalties or charges for services, programs or facilities furnished by or available from the District, and to pledge such revenue for the payment of any indebtedness of the District; to furnish services and facilities without the boundaries of the special district and to establish fees, rates, tolls, penalties, or charges for such services and facilities; to have and exercise all rights and powers necessary or incidental to or implied from the specific powers granted to special districts by statute; to enter into contracts with public utilities, cooperative electric associations and municipalities for the purpose of providing street lighting service; to erect and maintain, in providing safety protection services, traffic and safety controls and devices; to finance line extension charges for new telephone construction in non-residential special districts; to establish, maintain, and operate a system to transport the public by bus, rail, or any other means of conveyance; and to exercise the power of eminent domain and dominant eminent domain for the special district's authorized purposes. In addition, under certain circumstances, the Board has the power to furnish security services for any area within the District, although the District does not provide such services and has no plans to do so. The District's powers under the Special District Act may be affected by specific provisions in the Service Plan.

Governing Board

The District is governed by a five-member Board. In order to be eligible for nomination to the Board, prospective Board members must be eligible electors of the District as defined by State law. Directors are elected to staggered four-year terms of office at successive

biennial elections.¹ Currently, the Board contains three members and has two vacancies. Vacancies on the Board are filled by appointment of the remaining directors, the appointee to serve until the next regular election, at which time the vacancy is filled by election for any remaining unexpired portion of the term. The directors hold regular meetings and, as needed, special meetings. Each director is entitled to one vote on all questions before the Board, as applicable, when a quorum is present. Directors may receive a maximum compensation of \$2,400 per year, not to exceed \$100 per meeting attended. Directors currently receive no compensation for attending meetings. Pursuant to the State constitution, directors are limited to two terms in office unless the District’s voters have approved a waiver or modification of this limit. [At the Election, the electors of the District approved an election question which exempts the Board from State constitutional term limitations.]

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

<u>Name</u>	<u>Office</u>	<u>Occupation / Title⁽¹⁾</u>	<u>Years of Service</u>	<u>Current Term Expires (May)</u>
Chris Cipoletti	Director	Consultant	1	2023
Stephen Strong	Director	Financial Advisor	1	2023
Christopher Wilkins	Director	Financial Advisor	1	2023
Vacant	N/A	N/A	N/A	N/A
Vacant	N/A	N/A	N/A	N/A

Conflicts of Interest

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

Administration

The Board is responsible for the overall management and administration of the affairs of the District. The District is represented by its general counsel, White Bear Ankele

¹ In accordance with the Special District Act, the terms of office of the directors elected in the regular special district elections held in 2020 and 2022 are for three years.

Tanaka & Waldron, P.C., Centennial, Colorado. Stockman Kast Ryan + Co., LLP, Certified Public Accountants, Colorado Springs, Colorado, serves as the District's accountants.

District Agreements

The Special District Act authorizes the Districts to enter into agreements and contracts affecting the affairs of the Districts. The Districts are not party to any agreements which materially affect its financial status or operations except the following:

City IGA: Pursuant to the terms of the Service Plan, the District entered into an Intergovernmental Agreement with the City (the "IGA"). The IGA imposes certain restrictions and contractual provisions upon the District which are consistent with the Service Plan. In accordance with the IGA, the District is required to give the City notice and obtain the approval of City Council, prior to any bond issue and is required to seek City Council approval prior to refunding any outstanding bonds which could extend the maturity of such bonds or increase the total debt service thereon.

Cooperation Agreement: On June 1, 2021, the District and Colorado Springs Downtown Development Authority (the "Authority") entered into a Cooperation Agreement for Property Tax Increment Revenue Remittance (the "Cooperation Agreement"). The Authority is authorized pursuant to Section 31-25-807, C.R.S. and the Imagine Downtown Final Plan for Downtown Colorado Springs dated February 7, 2007, as amended by the Experience Downtown Plan of Development, Volume 1 dated November 8, 2016 (the "Authority Plan") to implement tax increment financing within the Authority's boundaries. Pursuant to the Authority Plan and in accordance with the Section 31-25-807(3)(a), C.R.S., the Authority may implement tax increment financing for a period not to exceed 30 years, extending from [February 7, 2007] and ending [February 7, 2037] (the "Duration"). Pursuant to the Cooperation Agreement, the District consented to the inclusion of an approximately 1.5 acre lot (the "Lot") into the boundaries of the Authority and the Authority agreed to remit to the District all tax incremental revenue derived from the District's ad valorem property tax mill levy as applied to the Lot. The Authority agreed to remit such tax incremental revenue to the District for the Duration on the following schedule: March 31, June 30, July 31, September 30 and December 31.

Insurance Coverage

The Board acts to protect the District against loss and liability by maintaining certain insurance coverage. Currently, the District maintains insurance through the Colorado Special Districts Property and Liability Pool ("CSDPLP"). CSDPLP was established by the Special District Association of Colorado in 1988 to provide special districts with general liability, auto/property liability, public officials' liability and workers' compensation insurance coverage as an alternative to the traditional insurance market. CSDPLP provides insurance coverage to over one thousand special districts and is governed by a nine-member board of special district representatives. The District's current policy expires on December 31, 2022. The District maintains insurance in levels and types of coverage deemed appropriate by the Board.

DISTRICT FINANCIAL INFORMATION

Sources of District Revenues

General. Ad valorem property taxes imposed by the District, described below and in “PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT,” are expected to constitute the largest source of the Subordinate Pledged Revenue pledged to the 2023B⁽³⁾ Subordinate Bonds. See “SECURITY FOR THE 2023B⁽³⁾ SUBORDINATE BONDS – Subordinate Pledged Revenue” for additional information regarding the property tax revenues and specific ownership tax revenues pledged to the 2023B⁽³⁾ Subordinate Bonds. Projected revenues and expenditures of the District are set forth in the Financial Forecast attached hereto as Appendix C. See “RISK FACTORS – Risks Related to the Projections.”

Property Taxes. The District is permitted by the Special District Act to impose ad valorem property taxes in the form of a mill levy. The Service Plan imposes limits on the number of mills which may be imposed by the District for the purposes of debt service. The District’s total mill levy is comprised of a debt mill levy and operation and maintenance mill levy, each as described below.

Maximum Mill Levy. In accordance with the Service Plan, the maximum mill levy that the District is permitted to impose may not exceed forty (40) mills, subject to adjustments for changes in the method of calculating assessed valuation after September 12, 2000.

In accordance with the 2023B⁽³⁾ Subordinate Indenture, the maximum Subordinate Required Mill Levy is 40.000 mills (subject to adjustment) *less* the amount of the Senior Bond Mill Levy.

Operations and Maintenance Mill Levy. The Service Plan states that the District may pay the operations and maintenance expenses through a mill levy provided that such mill operations mill levy is subject to the overall maximum mill levy limit of forty (40) mills and may not exceed five (5) mills. ***Any operations and maintenance mill levy is not pledged to the repayment of the 2023B⁽³⁾ Subordinate Bonds.***

Specific Ownership Taxes. Pursuant to State law, the District is entitled to share in the revenues generated by the specific ownership tax, which is a State-imposed tax collected by the County and remitted to the District pursuant to State law. The specific ownership tax is imposed upon the taxable value of motor vehicles. Additional information regarding specific ownership taxes in the State is provided in “SECURITY FOR THE 2023B⁽³⁾ SUBORDINATE BONDS – Specific Ownership Tax.” Only the portion of the specific ownership tax which is collected as a result of the imposition of the Subordinate Required Mill Levy is pledged to the 2023B⁽³⁾ Subordinate Bonds.

Budget Process

The District is required by law to adopt an annual budget setting forth: all proposed expenditures for the administration, operations, maintenance, debt service, and capital projects to be undertaken during the budget year of all offices, units, departments, boards, commissions, and institutions of the District; anticipated revenues; estimated beginning and ending fund balances;

actual figures for the prior fiscal year and estimated figures projected through the end of the current fiscal year; a written budget message describing the important features of the proposed budget; and explanatory schedules or statements classifying the expenditures by object and the revenues by source. No budget shall provide for expenditures in excess of revenues by source.

No later than October 15 of each year, the person appointed to prepare the budget must submit a proposed budget to the Board for the ensuing year. Under certain circumstances, the Board must cause to be published or posted a notice that such proposed budget is open for inspection by the public and hold a public hearing on the proposed budget. At the public hearing to be held prior to adoption, any elector of the District may register his or her objections to the proposed budget. The District must adopt its budget by December 15 if the District will certify a mill levy, or December 31 if not. After adoption of the budget, the Board must enact a corresponding appropriation resolution before the beginning of the fiscal year. If the District fails to file a certified copy of its budget within thirty days following the beginning of the fiscal year (i.e., by the following January 30) with the Colorado Division of Local Government in the Department of Local Affairs, the division may authorize the County Treasurer to prohibit release of the District's tax revenues and other moneys held by the County Treasurer until the District files its budget.

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

Financial Statements

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

Pursuant to the 2023B⁽³⁾ Subordinate Indenture, 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 immediately succeeding the calendar year which is the subject of such audit. The foregoing covenant shall apply notwithstanding any state law audit exemptions that may exist.

The District has audited financial statements. The audited financial statements of the District for the year ended December 31, 2021, and the report of Erickson, Brown & Kloster, LLC, certified public accountants, are included in this Limited Offering Memorandum in Appendix A. The audited financial statements included in Appendix A represent the most recent audited financial statements of the District.

District Funds

The accounts of the District report in a single general fund. Within the general fund are self-balancing set of accounts recording cash and/or other assets together with all related liabilities, obligations, reserves, and equities, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

History of Revenues and Expenditures for the District

Set forth below are five-year comparative statements of revenues, expenditures and changes in fund balance for the District's General Fund. The figures in the charts below have been derived from the District's audited financial statements for the years 2017 through 2021. The financial statements are in accordance with generally accepted accounting principles. The following information should be read together with the District's 2021 audited financial statements which appear in Appendix A. Preceding years' financial statements may be obtained from the sources noted in "INTRODUCTION – Additional Information."

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

	Year Ended December 31,				
	2017	2018	2019	2020	2021
REVENUES					
Property taxes	\$235,166	\$254,410	\$250,847	\$275,800	\$279,061
Specific ownership taxes	29,975	32,108	30,329	30,393	33,519
Interest	773	1,216	1,778	1,443	890
Total	<u>265,914</u>	<u>287,734</u>	<u>282,954</u>	<u>307,636</u>	<u>313,470</u>
EXPENDITURES					
County Treasurer’s collection fee	3,537	3,823	3,778	4,158	4,246
Accounting and audit	9,152	11,437	11,668	8,565	12,490
Insurance	2,399	2,159	2,151	2,385	2,172
Legal	10,163	13,267	13,114	9,296	3,853
Continuing disclosure services	2,500	2,500	2,500	2,500	2,500
Trustee fees	2,500	2,500	2,500	2,500	2,640
Miscellaneous	150	150	182	150	--
Interest on Debt Service	226,405	267,726	254,257	254,257	343,941
Total	<u>256,806</u>	<u>303,562</u>	<u>290,150</u>	<u>283,811</u>	<u>371,852</u>
Revenue Under Expenditure (Non-CAAP Basis)	<u>(9,108)</u>	<u>(15,828)</u>	<u>(7,196)</u>	<u>(23,825)</u>	<u>(58,382)</u>
GAAP ADJUSTMENTS⁽¹⁾					
Accounts payable	(5,398)	4,523	(5,324)	(3,106)	(8,100)
Past due principal and interest	(589,245)	(567,924)	(601,393)	(628,190)	(551,709)
Revenue Over (Under) Expenditure (GAAP Basis)	<u>(585,535)</u>	<u>(579,229)</u>	<u>(613,913)</u>	<u>(607,471)</u>	<u>(618,191)</u>
FUND BALANCE – BEG. OF YEAR	<u>(2,627,708)</u>	<u>(3,213,243)</u>	<u>(3,792,472)</u>	<u>(4,406,385)</u>	<u>(5,013,856)</u>
FUND BALANCE - END OF YEAR	<u><u>\$(3,213,243)</u></u>	<u><u>\$(3,792,472)</u></u>	<u><u>\$(4,406,385)</u></u>	<u><u>\$(5,013,856)</u></u>	<u><u>\$(5,632,047)</u></u>

Sources: District’s audited financial statements for the years ending December 31, 2017-2021.

(1) The District prepares its budget on a basis of accounting other than GAAP. The financial statements provide a reconciliation of the budgetary basis to GAAP.

Budget Summary and Comparison

Set forth below are statements of the District’s 2021 and 2022 budgets as compared to the District’s actual 2021 actual results. The figures have been derived from the District’s 2021

and 2022 budgets. The financial statements and budgets set forth below are prepared using a cash basis of accounting, which is a basis of accounting other than the generally accepted accounting principles. The statements below were compiled in accordance with the Statements on Standards for Accounting and Review Services and promulgated by the Accounting and Review Services Committee of the AICPA., however, such statements have not been independently audited. The District is ultimately responsible for the accuracy of the summaries of the financial statements set forth below.

Budget Summary and Comparison – General Fund

	2021			2022	
	Budget	Actual	Variance	Budget	Year-to-Date Actual (Unaudited) ⁽¹⁾
FUND BALANCE – BEG. OF YEAR	1,126			13,935	
REVENUES					
Interest Income	\$ 1,440			\$ 838	
Property Taxes	285,427			353,423	
Specific Ownership Taxes	32,500			32,500	
Total	320,493			3,86,761	
EXPENDITURES					
Bond Fund					
Treasurer’s Collection Fees	5,041			6,182	
Debt Interest	283,267			340,728	
Facility Fund					
Accounting	6,000			18,000	
Audit	5,900			6,250	
Insurance	2,135			2,236	
Legal	13,000			22,000	
Continuing Disclosure Services	2,500			2,500	
Trustee Fee	2,500			2,650	
Misc.	150			150	
Total	320,493			400,696	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,126)			(13,935)	
FUND BALANCE - END OF YEAR	\$ --	\$ --	\$ --	\$ --	\$

(1) Through September 30, 2022.

Sources: The District’s 2021 and 2022 budget and unaudited 2022 financial statements through September 30, 2022.

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Limited Offering Memorandum contains general information concerning historic economic and demographic conditions in and surrounding the District and the County. The information in this section is intended only to provide prospective investors with general information regarding the surrounding the District, the City of Colorado Springs, and the County. The information was obtained from the sources indicated and is limited to the time periods indicated. The Issuer makes no representation as to the accuracy or completeness of data obtained from parties other than the Issuer. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future.

Population and Age Distribution

Population. The following table sets forth a history of the populations of City of Colorado Springs, El Paso County and the State.

<u>Population</u>						
<u>Year</u>	<u>City of Colorado Springs</u>	<u>Percent Change</u>	<u>El Paso County</u>	<u>Percent Change</u>	<u>Colorado</u>	<u>Percent Change</u>
1980	215,105	--	309,424	--	2,889,735	--
1990	280,430	30.3%	397,014	28.3%	3,294,394	14.0%
2000	360,890	28.7	516,929	30.2	4,301,261	30.6
2010	416,427	15.4	622,263	20.4	5,029,196	16.9
2020	478,961	15.0	730,395	17.4	5,773,714	14.8
2021	483,953	1.0	738,532	1.1	5,814,707	0.7

Sources: United States Department of Commerce, Bureau of Census (1980-2020), and Colorado State Demography Office (2021 estimates). Estimates are subject to periodic revision.

Age Distribution. The following table sets forth a projected comparative age distribution profile for the City of Colorado Springs, El Paso County, the State and the nation on January 1, 2022.

Age Distribution Projections

Age	Percent of Population			
	City of Colorado Springs	El Paso County	Colorado	United States
0-17	23.2%	23.7%	21.5%	22.0%
18-24	9.2	10.3	9.2	9.3
25-34	15.3	15.5	15.1	13.5
35-44	14.4	13.5	14.0	12.8
45-54	11.3	11.3	12.3	12.2
55-64	11.5	11.5	12.1	12.7
65-74	9.0	8.7	9.8	10.4
75 and Older	6.1	5.5	6.0	7.1

Source: @Claritas, LLC 2022.

Income

The following table sets forth annual per capita personal income levels for El Paso County, the State and the nation. Per capita personal income levels in El Paso County have consistently been lower than personal income levels in the State and the nation during the period shown.

Per Capita Personal Income

Year ⁽¹⁾	El Paso County	Colorado	United States
2017	\$46,422	\$55,251	\$51,550
2018	48,299	58,453	53,786
2019	51,015	62,124	56,250
2020	54,712	65,358	59,765
2021	58,627	70,706	64,143

(1) County figures posted November 2021; state and national figures posted March 2022. All figures are subject to periodic revisions.

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

The following two tables reflect the Median Household Effective Buying Income (“EBI”), and also the percentage of households by EBI groups. EBI is defined as “money income” (defined below) less personal tax and nontax payments. “Money income” is defined as the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as “disposable” or “after-tax” income.

Median Household Effective Buying Income Estimates(1)

Year ⁽²⁾	City of Colorado Springs	El Paso County	Colorado	United States
2018	\$50,605	\$53,975	\$57,732	\$50,620
2019	53,484	56,951	59,227	52,468
2020	55,048	59,056	62,340	54,686
2021	57,122	61,246	64,415	56,093
2022	65,570	69,498	73,494	63,680

- (1) The difference between consecutive years is not an estimate of change from one year to the next; combinations of data are used each year to identify the estimated mean of income from which the median is computed.
(2) Annual estimates are snapshots of effective buying income for the date of January 1 of each listed year.

Source: Claritas, © 2018-2021 by Environics Analytics (EA) and @Claritas, LLC 2022.

Percent of Households by Effective Buying Income Groups – 2022 Estimates(1)

Effective Buying Income Group	City of Colorado Springs	El Paso County Household	Colorado Households	United States Households
Under \$24,999	13.8%	12.2%	12.3%	16.3%
\$25,000-49,999	23.1	21.8	20.3	22.8
\$50,000-74,999	20.1	20.1	18.4	18.8
\$75,000-99,999	16.0	16.6	15.8	14.5
\$100,000-124,999	10.4	11.1	11.5	9.7
\$125,000-149,999	5.5	6.0	6.6	5.5
\$150,000-199,999	5.7	6.4	7.1	5.7
\$200,000 or More	5.4	5.8	8.0	6.7

- (1) Estimates are snapshots of income groups on January 1, 2022.

Source: @Claritas, LLC 2022.

Employment

The following table presents information on employment within El Paso County, the State and the nation, for the time period indicated.

Labor Force and Percent Unemployed

Year	El Paso County ⁽¹⁾		Colorado ⁽¹⁾		United States ⁽¹⁾
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2017	322,818	3.0%	2,963,790	2.6%	4.4%
2018	331,759	3.6	3,049,640	3.0	3.9
2019	338,068	3.1	3,100,598	2.6	3.7
2020	341,997	6.9	3,087,271	6.9	8.1
2021	350,677	5.6	3,156,110	5.4	5.3
<u>Month of October</u>					
2021	352,601	4.7%	3,191,726	4.4%	4.3%
2022 ⁽²⁾	360,454	3.8	3,260,677	3.5	3.4

(1) Figures are not seasonally adjusted and subject to change.

(2) Preliminary data.

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

The following table sets forth the number of individuals employed in selected industries in El Paso County covered by unemployment insurance. The largest employment sector in El Paso County in 2021 was government (comprising approximately 18.1% of the county's work force), followed, in order, by health care and social assistance; retail trade; accommodation and food services; professional and technical services; and administrative and waste services. For the 12-month period ended December 31, 2021, total average employment in the County increased 4.0% as compared to the same 12-month period ending December 31, 2020, and average total weekly wages increased 4.9% during the same time period.

Average Number of Employees Within Selected Industries – El Paso County

Industry	2017	2018	2019	2020	2021	2022 ⁽¹⁾
Agriculture, Forestry, Fishing, Hunting	481	540	628	533	511	410
Mining	70	57	50	37	43	45
Utilities	489	490	485	474	440	444
Construction	16,116	16,876	17,529	17,695	17,976	17,795
Manufacturing	11,480	11,691	11,674	11,421	11,549	11,844
Wholesale Trade	5,574	5,641	5,878	5,813	5,914	6,557
Retail Trade	32,134	32,008	31,631	30,745	31,694	31,131
Transportation & Warehousing	4,192	4,433	4,738	4,942	7,023	10,136
Information	5,651	5,671	5,682	5,197	5,200	5,179
Finance & Insurance	12,315	12,610	12,921	13,132	13,074	12,646
Real Estate, Rental & Leasing	4,757	4,794	4,942	4,818	4,953	4,935
Professional & Technical Services	23,741	25,474	26,703	27,968	29,467	31,269
Management of Companies/Enterprises	1,246	1,218	1,296	1,318	1,470	1,588
Administrative & Waste Services	18,822	18,218	18,511	17,662	18,163	16,779
Educational Services	4,334	4,204	4,214	3,716	3,670	3,801
Health Care & Social Assistance	33,060	34,164	35,402	36,352	37,804	37,920
Arts, Entertainment & Recreation	5,017	5,211	5,504	4,058	4,434	4,197
Accommodation & Food Services	30,756	31,287	31,851	26,710	30,132	31,663
Other Services	11,493	11,442	11,858	11,211	10,982	10,944
Non-classifiable	n/a ⁽²⁾	17	15	35	25	39
Government	<u>49,049</u>	<u>50,301</u>	<u>51,880</u>	<u>51,459</u>	<u>51,746</u>	<u>52,726</u>
Total ⁽³⁾	<u>270,781</u>	<u>276,351</u>	<u>283,389</u>	<u>275,296</u>	<u>286,270</u>	<u>292,046</u>

(1) Averaged figures for 1st Quarter 2022.

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

(3) Figures may not calculate due to the rounding of averages.

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

Major Employers

The following table sets forth a brief description of selected major employers located in El Paso County. No independent investigation has been made regarding these major employers. Therefore, there can be no representation as to whether or not such employers will retain their status as major employers in the County.

Largest Employers in City of Colorado Springs – 2021

1,000 or more employees

<u>Employer⁽¹⁾</u>	<u>Industry</u>
The Broadmoor Hotel	Hospitality
The Charter Spectrum West Region	Cable TV, Internet, Wireless Services
City of Colorado Springs	City Government
Colorado Springs Utilities	Power/Water/Waste Water
Fort Carson	Military Installation
Lockheed Martin Corporation	Aerospace/Aviation
Penrose-St. Francis Health Services	Healthcare
Peterson Air Force Base	Military Installation
Pikes Peak Community College	Higher Education
Progressive Insurance Company	Insurance
Schriever Air Force Base	Military Installation
UC Health – Memorial Health Systems	Healthcare
United Services Automobile Association	Financial/Insurance Services
United States Air Force Academy	Higher Education/Military Installation
University of Colorado, Colorado Springs	Higher Education

(1) Entities that employ 1,000 or more employees.

Sources: Colorado Springs Chamber & EDC.

Retail Sales

Annual retail sales figures for the City of Colorado Springs, El Paso County and the State are set forth below.

Year	<u>Retail Sales(1)</u>					
	City of Colorado Springs	Percent Change	El Paso County	Percent Change	Colorado	Percent Change
2017	\$15,365,889	--	\$18,406,833	--	\$194,641,958	--
2018	16,677,187	8.5%	20,098,246	9.2%	206,121,045	5.9%
2019	17,470,904	4.8	21,399,985	6.5	224,618,938	9.0
2020	18,714,390	7.1	23,243,627	8.6	228,812,220	1.9
2021	22,307,503	19.2	27,495,740	18.3	268,328,759	17.3
2022 ⁽¹⁾	17,536,987	--	21,657,321	--	217,944,451	--

(1) As of September 30, 2022.

Source: State of Colorado, Department of Revenue, Retail Sales Report, 2017-2022.

Current Construction

The following table sets forth the number of permits issued for both residential and commercial construction in El Paso County during the time period indicated.

Building Permits Issued for New Structures in El Paso County(1)

Year	New Single Family		New Multi-Family ⁽²⁾		New Commercial ⁽³⁾	
	Permits	Value	Units	Value	Permits	Value
2017	3,504	\$1,417,418,973	1,351	\$202,830,494	231	\$209,300,644
2018	3,856	1,516,644,352	1,729	268,739,728	256	248,199,546
2019	3,530	1,382,822,563	1,858	289,536,290	201	392,320,959
2020	4,497	1,735,475,424	2,311	361,553,891	280	355,694,457
2021	4,356	1,730,568,441	4,822	844,745,369	295	251,152,822
2022 ⁽⁴⁾	2,985	1,226,204,157	5,292	835,964,896	235	374,490,559

- (1) Pikes Peak Regional Building Department issues permits for unincorporated El Paso County and for the municipalities of Colorado Springs, Fountain, Green Mountain Falls, Manitou Springs, Monument, and Palmer Lake.
- (2) Includes townhouses, duplexes, condominiums, and multi-family buildings.
- (3) Includes hotels, motels; amusement/recreation; manufacturing; parking garages; service stations and repair garages; offices, banks and professional buildings; and stores and other retail buildings/interior finishes.
- (4) As of November 30, 2022.

Source: Pikes Peak Regional Building Department.

Foreclosure Activity

The following table sets forth the number of foreclosures filed in El Paso County during the time period shown. Such information only represents the number of foreclosures filed and does not take into account foreclosures which were filed and subsequently redeemed or withdrawn.

History of Foreclosure Filings – El Paso County

Year	Number of Foreclosures Filed	Percent Change
2017	1,089	--
2018	908	(16.6)%
2019	827	(8.9)
2020	281 ⁽¹⁾	(65.9)
2021	144 ⁽¹⁾	(48.8)
2022 ⁽²⁾	703	--

- (1) The Colorado Division of Housing has advised that, due to a variety of legal restrictions and voluntary decisions by lenders related primarily to COVID-19, the 2020-21 data for foreclosure activity may not accurately reflect the foreclosure activity that would have occurred during 2020-21 absent those restrictions and decisions.
- (2) Filings as of November 30, 2022, which compares to a total of 120 filings in the same period in 2021.

Source: Colorado Division of Housing (2017-2020), and El Paso County Public Trustee Office (2021-2022).

TAX MATTERS

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the 2023B₍₃₎ Subordinate Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2023B₍₃₎ Subordinate Bonds (the “Tax Code”), interest on the 2023B₍₃₎ Subordinate Bonds is excluded from alternative minimum taxable income as defined in Section 55(b) of the Tax Code; however, to the extent such interest is included in calculating the “adjusted financial statement income” of “applicable corporations” (as defined in Sections 56A and 55(k), respectively, of the Tax Code), such interest is subject to the alternative minimum tax applicable to those corporations under Section 55(b) of the Tax Code for tax years beginning after December 31, 2022, and interest on the 2023B₍₃₎ Subordinate Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the 2023B₍₃₎ Subordinate Bonds.

The Tax Code and Colorado law impose several requirements which must be met with respect to the 2023B₍₃₎ Subordinate Bonds in order for the interest thereon to be excluded from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the 2023B₍₃₎ Subordinate Bonds. These requirements include: (a) limitations as to the use of proceeds of the 2023B₍₃₎ Subordinate Bonds; (b) limitations on the extent to which proceeds of the 2023B₍₃₎ Subordinate Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the 2023B₍₃₎ Subordinate Bonds above the yield on the 2023B₍₃₎ Subordinate Bonds to be paid to the United States Treasury. The District will covenant and represent in the 2023B₍₃₎ Subordinate Indenture that it will not take any action or omit to take any action with respect to the 2023B₍₃₎ Subordinate Bonds, any funds of the District, or any facilities financed with the proceeds of the 2023B₍₃₎ Subordinate Bonds, if such action or omission (i) would cause the interest on the 2023B₍₃₎ Subordinate 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 2023B₍₃₎ Subordinate Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b) of the Code, or (iii) would cause interest on the 2023B₍₃₎ Subordinate Bonds to lose its exclusion from Colorado taxable income or Colorado alternative minimum taxable income under present Colorado law. The District makes no covenant with respect to taxation of interest on the 2023B₍₃₎ Subordinate Bonds as a result of the inclusion of that interest in the “adjusted financial statement income” of “applicable corporations” (as defined in Sections 56A and 55(k), respectively, of the Tax Code). Bond Counsel’s opinion as to the exclusion of interest on the 2023B₍₃₎ Subordinate Bonds from gross income, alternative minimum taxable income (to the extent described above), Colorado taxable income and Colorado alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the District to comply with these requirements could cause the interest on the 2023B₍₃₎ Subordinate Bonds to be included in gross income, alternative minimum taxable income, Colorado taxable income or Colorado alternative minimum taxable income, or a combination thereof, from the date of issuance. Bond Counsel’s opinion also is rendered in reliance upon certifications of the District and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a 15% alternative minimum tax on the “adjusted financial statement income” of “applicable corporations” (as those terms are defined in Sections 56A and 55(k), respectively, of the Tax Code). “Applicable corporations” are generally corporations with average annual adjusted financial statement income over a three-year period of \$1 billion or more. “Adjusted financial statement income” generally means the net income or loss of a corporation (including interest on the 2023B₍₃₎ Subordinate Bonds) as set forth on the corporation’s applicable financial statement, adjusted as provided in Section 56A of the Tax Code. This 15% alternative minimum tax is applicable for tax years beginning after December 31, 2022. Corporations should consult their tax advisors about whether the corporation is an “applicable corporation” and if the corporation is such an applicable corporation, about the calculation of “adjusted financial statement income” and the alternative minimum tax for the corporation.

The Tax Code contains numerous provisions which may affect an investor’s decision to purchase the 2023B₍₃₎ Subordinate Bonds. Owners of the 2023B₍₃₎ Subordinate Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain “subchapter S” corporations may result in adverse federal and Colorado tax consequences. Under Section 3406 of the Tax Code, backup withholding may be imposed on payments on the 2023B₍₃₎ Subordinate Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Tax Code. Backup withholding may also be applied if the owner underreports “reportable payments” (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Tax Code. Certain of the 2023B₍₃₎ Subordinate Bonds may be sold at a premium, representing a difference between the original offering price of those 2023B₍₃₎ Subordinate Bonds and the principal amount thereof payable at maturity. Under certain circumstances, an initial owner of such bonds (if any) may realize a taxable gain upon their disposition, even though such bonds are sold or redeemed for an amount equal to the owner’s acquisition cost. Bond Counsel’s opinion relates only to the exclusion of interest on the 2023B₍₃₎ Subordinate Bonds from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the 2023B₍₃₎ Subordinate Bonds. 2023B₍₃₎ Owners of the 2023B₍₃₎ Subordinate Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the 2023B₍₃₎ Subordinate Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the 2023B₍₃₎ Subordinate Bonds, the exclusion of interest on the 2023B₍₃₎ Subordinate Bonds from gross income or alternative minimum taxable income or both from the date of issuance of the 2023B₍₃₎ Subordinate Bonds or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could

affect the tax treatment or market value of the 2023B₍₃₎ Subordinate Bonds. Owners of the 2023B₍₃₎ Subordinate Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the 2023B₍₃₎ Subordinate Bonds. If an audit is commenced, the market value of the 2023B₍₃₎ Subordinate Bonds may be adversely affected. Under current audit procedures, the Service will treat the District as the taxpayer and the 2023B₍₃₎ Owners may have no right to participate in such procedures. The District has covenanted in the 2023B₍₃₎ Subordinate Indenture not to take any action that would cause the interest on the 2023B₍₃₎ Subordinate Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income except to the extent described above for the owners thereof for federal income tax purposes. None of the District, Underwriter, Bond Counsel, or Underwriter’s Counsel is responsible for paying or reimbursing any 2023B₍₃₎ Subordinate Bond holder with respect to any audit or litigation costs relating to the 2023B₍₃₎ Subordinate Bonds.

FINANCIAL INSTITUTION INTEREST DEDUCTION

The Tax Code generally provides that a financial institution may not deduct that portion of its interest expense which is allocable to tax-exempt interest. The interest expense which is allocable to tax-exempt interest is an amount which bears the same ratio to the institution’s interest expense as the institution’s average adjusted basis of tax-exempt obligations acquired after August 7, 1986 bears to the average adjusted basis of all assets of the institution. Tax-exempt obligations may be treated as if issued prior to August 7, 1986 (and therefore are not subject to this rule), if they are “qualified tax-exempt obligations” as defined in the Tax Code and are designated for this purpose by the District.

The District has designated the 2023B₍₃₎ Subordinate Bonds for this purpose; however, under provisions of the Tax Code dealing with financial institution preference items, certain financial institutions, including banks, are denied 20% of their otherwise allowable deduction for interest expense with respect to obligations incurred or continued to purchase or carry the Bonds. In general, interest expense with respect to obligations incurred or continued to purchase or carry the 2023B₍₃₎ Subordinate Bonds will be in an amount which bears the same ratio as the institution's average adjusted basis in the 2023B₍₃₎ Subordinate Bonds bears to the average adjusted basis of all assets of the institution.

Amendments to the Tax Code could be enacted in the future and there is no assurance that any such future amendments which may be made to the Tax Code will not adversely affect the ability of banks or other financial institutions to deduct any portion of its interest expense allocable to tax-exempt interest.

LEGAL MATTERS

Litigation

The District states, and will certify on the date of issuance of the 2023B⁽³⁾ Subordinate Bonds, that (a) no litigation of any nature is now pending or threatened seeking to restrain or to enjoin the execution, issuance, or delivery of the 2023B⁽³⁾ Subordinate Bonds or the 2023B⁽³⁾ Subordinate Indenture (the “Financing Documents”), or in any manner questioning the authority or proceedings for the issuance of the 2023B⁽³⁾ Subordinate Bonds, or the execution and delivery of the Financing Documents, questioning the authority of the District to impose ad valorem property taxes as required by the terms of the applicable Financing Documents, or affecting the validity or enforceability of the Financing Documents, or the Service Plan, or the pledge or collection of revenues pledged for the payment of the 2023B⁽³⁾ Subordinate Bonds; and (b) no litigation of any nature is now pending or threatened which, if determined adversely to the District, would have a material adverse effect upon the District’s ability to comply with its obligations under the applicable Financing Documents or to consummate the transactions contemplated thereby.

The District’s general counsel is expected to render an opinion on the date of issuance of the 2023B⁽³⁾ Subordinate Bonds stating that, to the best of its actual knowledge, there is no action, suit, or proceeding pending in which the District is a party or threatened against the District, nor is there any inquiry or investigation pending or threatened against the District by any governmental agency, public agency, or authority which, if determined adversely to the District, would have a material adverse effect upon the District’s ability to comply with its obligations under the Financing Documents.

Sovereign Immunity

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

The Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including: the operation of a non-emergency motor vehicle, owned or leased by the public entity; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$424,000 for claims accruing on or after January 1, 2022, and before January 1, 2026; and (b) for an injury to two or more persons in any single occurrence, the sum of \$1,195,000 for claims accruing on or after

January 1, 2022, and before January 1, 2026, except in such instance, no person may recover in excess of \$424,000. These amounts increase every four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index. The District may increase any maximum amount that may be recovered from the District for certain types of injuries. However, the District may not be held liable either directly or by indemnification for punitive or exemplary damages unless the District voluntarily pays such damages in accordance with State law. The District has not acted to increase the damage limitations in the Immunity Act.

The District may be subject to civil liability and damages including punitive or exemplary damages under federal laws, and it may not be able to claim sovereign immunity for actions founded upon federal laws. Examples of such civil liability include suits filed pursuant to Section 1983 of Title 42 of the United States Code, alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the District may be enjoined from engaging in anti-competitive practices which violate federal and State antitrust laws. However, the Immunity Act provides that it applies to any State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

Approval of Certain Legal Proceedings

Legal matters relating to the issuance of the 2023B⁽³⁾ Subordinate Bonds, as well as the treatment of interest on the 2023B⁽³⁾ Subordinate Bonds for purposes of federal and State income taxation, are subject to the approving legal opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. Such opinion, the form of which is attached hereto as Appendix G, will be dated as of and delivered at closing. Certain legal matters pertaining to the organization and operation of the District will be passed upon by its general counsel, McGeady Becher P.C., Denver, Colorado.

Legal fees to Bond Counsel and to Sherman & Howard L.L.C. (counsel to Underwriter) are contingent upon the sale and delivery of the 2023B⁽³⁾ Subordinate Bonds. In addition, Kutak Rock LLP represents the Underwriter from time to time in connection with certain unrelated matters. Such firm does not represent the Underwriter or any other party (other than the District) in connection with the issuance of the 2023B⁽³⁾ Subordinate Bonds.

Certain Constitutional Limitations

In 1992, the voters of Colorado approved a constitutional amendment which is codified as Article X, Section 20, of the Colorado Constitution (the Taxpayers Bill of Rights or “TABOR”). In general, TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR generally applies to the State and all local governments, including the District (“local governments”), but does not apply to “enterprises,” defined as government owned businesses authorized to issue revenue bonds and receiving under 10% of annual revenue in grants from all state and local governments combined.

Because some provisions of TABOR are unclear, litigation seeking judicial interpretation of its provisions has been commenced on numerous occasions since its adoption. Additional litigation may be commenced in the future seeking further interpretation of TABOR.

No representation can be made as to the overall impact of TABOR on the future activities of the District, including its ability to generate sufficient revenues for its general operations, to undertake additional programs or to engage in any subsequent financing activities.

Voter Approval Requirements and Limitations on Taxes, Spending, Revenues, and Borrowing. TABOR requires voter approval in advance for: (a) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase, extension of an expiring tax, or a tax policy change causing a net tax revenue gain; (b) any increase in a local government's spending from one year to the next in excess of the limitations described below; (c) any increase in the real property tax revenues of a local government from one year to the next in excess of the limitations described below; or (d) creation of any multiple-fiscal year direct or indirect debt or other financial obligation whatsoever, subject to certain exceptions such as the refinancing of obligations at a lower interest rate.

TABOR limits increases in government spending and property tax revenues to, generally, the rate of inflation and a local growth factor which is based upon, for school districts, the percentage change in enrollment from year to year, and for non-school districts, the actual value of new construction in the local government. Unless voter approval is received as described above, revenues collected in excess of these permitted spending limitations must be rebated. Debt service, however, including the debt service on the 2023B(3) Subordinate Bonds, can be paid without regard to any spending limits, assuming revenues are available to do so. The District's voters have approved election questions which authorize the District to retain excess revenues which may otherwise be required by TABOR to be refunded to taxpayers.

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

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

Police Power

The obligations of the District are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including bankruptcy.

NO RATINGS OR REGISTRATION

The District has not submitted, and does not intend to submit, an application to any securities rating agency with respect to the 2023B(3) Subordinate Bonds.

Registration or qualification of the placement of the 2023B(3) Subordinate Bonds (as distinguished from registration of the ownership of the 2023B(3) Subordinate 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 2023B(3) SUBORDINATE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE 2023B(3) SUBORDINATE BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED.

The Colorado Municipal Bond Supervision Act, Article 59 of Title 11, C.R.S., 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 issued by a special district must first be registered with the Commissioner unless exempt under the act. The 2023B(3) Subordinate Bonds qualify for an exemption from registration because the 2023B(3) Subordinate Bonds are being issued in authorized denominations of not less than \$500,000.

UNDERWRITING

Piper Sandler & Co., Denver, Colorado (the “Underwriter”) has agreed to purchase the 2023B(3) Subordinate Bonds from the District under a Bond Purchase Agreement at a purchase price equal to \$_____ (which is equal to the par amount of the 2023B(3) Subordinate Bonds, less Underwriter’s discount of \$_____). The Underwriter is committed to take and pay for all of the 2023B(3) Subordinate Bonds if any are taken.

LIMITED OFFERING MEMORANDUM CERTIFICATION

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

LOWELL METROPOLITAN DISTRICT

By: _____
President

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR
THE FISCAL YEAR ENDING DECEMBER 31, 2021**

APPENDIX B

Market Analysis

APPENDIX C
FINANCIAL FORECAST

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the 2023B⁽³⁾ Subordinate Bonds. The 2023B⁽³⁾ Subordinate Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2023B⁽³⁾ Subordinate Bond certificate will be issued for each maturity of the 2023B⁽³⁾ Subordinate Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2023B⁽³⁾ Subordinate Bonds on DTC's records. The ownership interest of each actual purchaser of each 2023B⁽³⁾ Subordinate 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 2023B⁽³⁾ Subordinate Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the 2023B⁽³⁾ Subordinate 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 2023B⁽³⁾ Subordinate Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2023B⁽³⁾ Subordinate 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 2023B⁽³⁾ Subordinate Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2023B⁽³⁾ Subordinate Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2023B⁽³⁾ Subordinate Bonds may wish to ascertain that the nominee holding the 2023B⁽³⁾ Subordinate Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2023B⁽³⁾ Subordinate Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2023B⁽³⁾ Subordinate Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the 2023B⁽³⁾ Subordinate Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2023B⁽³⁾ Subordinate Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, 2023B⁽³⁾ Subordinate Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2023B⁽³⁾ Subordinate Bond certificates will be printed and delivered to DTC.

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

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE 2023B⁽³⁾ SUBORDINATE BONDS, REFERENCES IN THIS LIMITED OFFERING MEMORANDUM TO THE REGISTERED OWNERS OF THE 2023B⁽³⁾ SUBORDINATE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

The District and the Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the 2023B⁽³⁾ Subordinate Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the 2023B⁽³⁾ Subordinate Bonds, giving any notice permitted or required to be given to registered owners under the 2023B⁽³⁾ Subordinate Indenture, including any notice of redemption, registering the transfer of 2023B⁽³⁾ Subordinate Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and will not be affected by any notice to the contrary. The District and the Trustee will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the 2023B⁽³⁾ Subordinate Bonds under or through DTC or any DTC Direct Participant, Indirect Participant or other person not shown on the records of the Trustee as being a registered owner with respect to: the accuracy of any records maintained by DTC, any DTC Direct Participant or Indirect Participant regarding ownership interests in the 2023B⁽³⁾ Subordinate Bonds; the payment by DTC, any DTC Direct Participant or Indirect Participant of any amount in respect of the principal of or interest or premium, if any, on the 2023B⁽³⁾ Subordinate Bonds; the delivery to any DTC Direct Participant, Indirect Participant or any Beneficial Owner of any notice which is permitted or required to be given to registered owners under the Authorizing Document, including any notice of redemption; the selection by DTC, any DTC Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the 2023B⁽³⁾ Subordinate Bonds; or any consent given or other action taken by DTC as a registered owner.

As long as the DTC book-entry system is used for the 2023B⁽³⁾ Subordinate Bonds, the Trustee will give any notice of redemption or any other notices required to be given to registered owners of 2023B⁽³⁾ Subordinate Bonds only to DTC or its nominee. Any failure of DTC to advise any DTC Direct Participant, of any DTC Direct Participant to notify any Indirect Participant, of any DTC Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2023B⁽³⁾ Subordinate Bonds called for redemption or of any other action premised on such notice.

APPENDIX E
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX F

**SUMMARY OF CERTAIN PROVISIONS OF THE
2023B⁽³⁾ SUBORDINATE INDENTURE**

APPENDIX G
FORM OF BOND COUNSEL OPINION