

In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. Further, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. See “TAX MATTERS” herein for a description of the federal alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Bonds. Bond Counsel is further of the opinion that interest on the Bonds is exempt from Colorado income taxes and is not a specific preference item for purposes of the State of Colorado alternative minimum income tax for any period during which interest on the Bonds is not included in gross income for federal income tax purposes. See “TAX MATTERS” herein.

\$12,415,000
FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
(IN THE CITY OF LAKEWOOD, COLORADO)
GENERAL OBLIGATION LIMITED TAX BONDS
SERIES 2016

Dated: Date of Delivery

Due: December 1, as shown below

The Bonds are limited tax and special revenue obligations of Fossil Ridge Metropolitan District No. 3 (“District No. 3”) secured by and payable from the Pledged Revenue, consisting of Property Taxes and Specific Ownership Taxes derived from the limited exercise of the ad valorem taxing power of District No. 3 and Fossil Ridge Metropolitan District No. 2 (“District No. 2”). Under the Indenture (with respect to District No. 3) and the 2014 Funding Agreement (with respect to District No. 2), both District No. 3 and District No. 2 have covenanted to levy an ad valorem mill levy upon all taxable property of each respective District determined in accordance with the provisions thereof, but not less than 30 mills and not to exceed 50 mills (in the case of such 50 mill maximum, subject to certain adjustments described herein). The Bonds are secured by the Pledged Revenue on a parity with certain previously issued bonds of District No. 3 and Fossil Ridge Metropolitan District No. 1 (“District No. 1”). The Bonds are also secured by amounts accumulated in the Surplus Fund, if any. Capitalized terms used on the cover page of this Official Statement and not otherwise defined shall have the meanings assigned them in the Introduction herein.

The Bonds are being issued as fully registered obligations in the denomination of \$5,000 or any integral multiple thereof. Interest on the Bonds is payable semiannually on June 1 and December 1 each year, commencing June 1, 2017, at the rates set forth below.

MATURITY SCHEDULE
CUSIP NO. 34988C^{1,⊕}

<u>Maturity Date (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP^{1,⊕}</u>
2017	\$150,000	3.00%	1.74%	AP3
2018	160,000	4.00	2.05	AQ1
2019	170,000	4.00	2.41	AR9
2020	175,000	4.00	2.66	AS7

\$1,225,000 5.00% Term Bond due December 1, 2026 Price 107.386% Yield 3.000%² CUSIP 34988C AT5^{1,⊕}
\$3,045,000 5.00% Term Bond due December 1, 2036 Price 103.318% Yield 4.080%² CUSIP 34988C AU2^{1,⊕}
\$7,490,000 5.00% Term Bond due December 1, 2046 Price 102.402% Yield 4.330%² CUSIP 34988C AV0^{1,⊕}

The Bonds are being issued pursuant to an Indenture of Trust dated as of December 1, 2016 between District No. 3 and UMB Bank, n.a., Denver, Colorado, as trustee. The Trustee will also act as Registrar and Paying Agent for the Bonds and DTC will act as securities depository for the Bonds. The Bonds will be issued in book-entry-only form and purchasers of the Bonds will not receive certificates evidencing their ownership interests in the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity at the prices and upon the terms set forth in this Official Statement.

Proceeds from the sale of the Bonds will be used for the purposes of: (i) reimbursing a portion of the costs of acquiring, constructing, and installing certain public infrastructure improvements; and (ii) paying the costs of issuance of the Bonds.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Prospective purchasers of the Bonds must read the entire Official Statement to obtain information essential to the making of an informed investment decision. Each prospective investor should read this entire Official Statement and should give particular attention to the section entitled “RISK FACTORS.”

The Bonds are offered when, and as if issued by District No. 3, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality by Greenberg Traurig, LLP, Denver, Colorado, as Bond Counsel, and certain other conditions. Certain matters will be passed upon by White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, as General Counsel to District No. 3. Kutak Rock LLP, Denver, Colorado, is acting as Counsel to the Underwriter and, in such capacity, has assisted in the preparation of this Official Statement. The Bonds are expected to be available for delivery through the facilities of DTC on or about December 21, 2016.



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

This Official Statement is dated December 14, 2016.

¹ District No. 3 takes no responsibility for the accuracy of the CUSIP number, which is included solely for the convenience of owners of the Bonds.

² Bonds have been priced to yield as shown to the earliest call date of December 1, 2020.

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FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3
Jefferson County, Colorado

District No. 3 Board of Directors

Marc Savela, President
Jeffrey Becker, Vice President
Ashley Tarufelli, Secretary/Treasurer
John Corbett, Assistant Secretary
Neil Simpson, Assistant Secretary

General Counsel to the Districts

White Bear Ankele Tanaka & Waldron Professional Corporation
Centennial, Colorado

Trustee and Paying Agent

UMB Bank, n.a.
Denver, Colorado

Underwriter

D.A. Davidson & Co.
Denver, Colorado

Bond Counsel

Greenberg Traurig LLP
Denver, Colorado

Underwriter's Counsel

Kutak Rock LLP
Denver, Colorado

No dealer, salesman or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by District No. 3 or the Underwriter. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of District No. 3 since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The Underwriter has provided the following sentence for inclusion within this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Investors must be willing and able to conduct an independent investigation of the risks attendant to ownership of the Bonds, including their own evaluation of the prospects for development within District No. 3. Neither the contents of this Official Statement nor any prior or subsequent communications from District No. 3 or any of its officers, directors, employees or agents constitute legal, tax, accounting or regulatory advice. Before purchasing, prospective investors should consult with their own legal counsel and business and tax advisors to determine the consequences of an investment in the Bonds and should make an independent evaluation of the investment.

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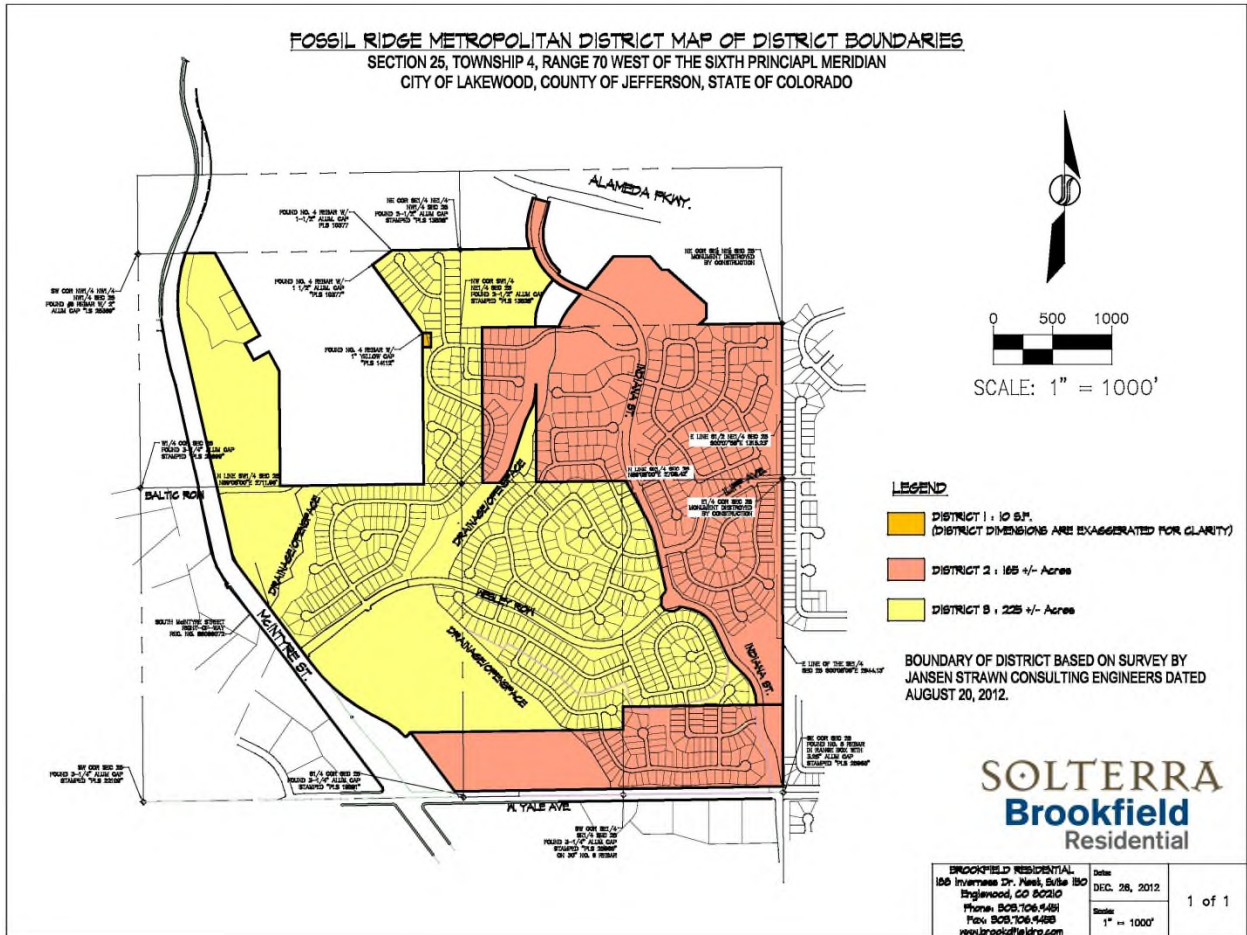
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Neither the Securities and Exchange Commission nor any securities regulatory authority of any state has approved or disapproved the Bonds or this Official Statement. Any representation to the contrary is unlawful.

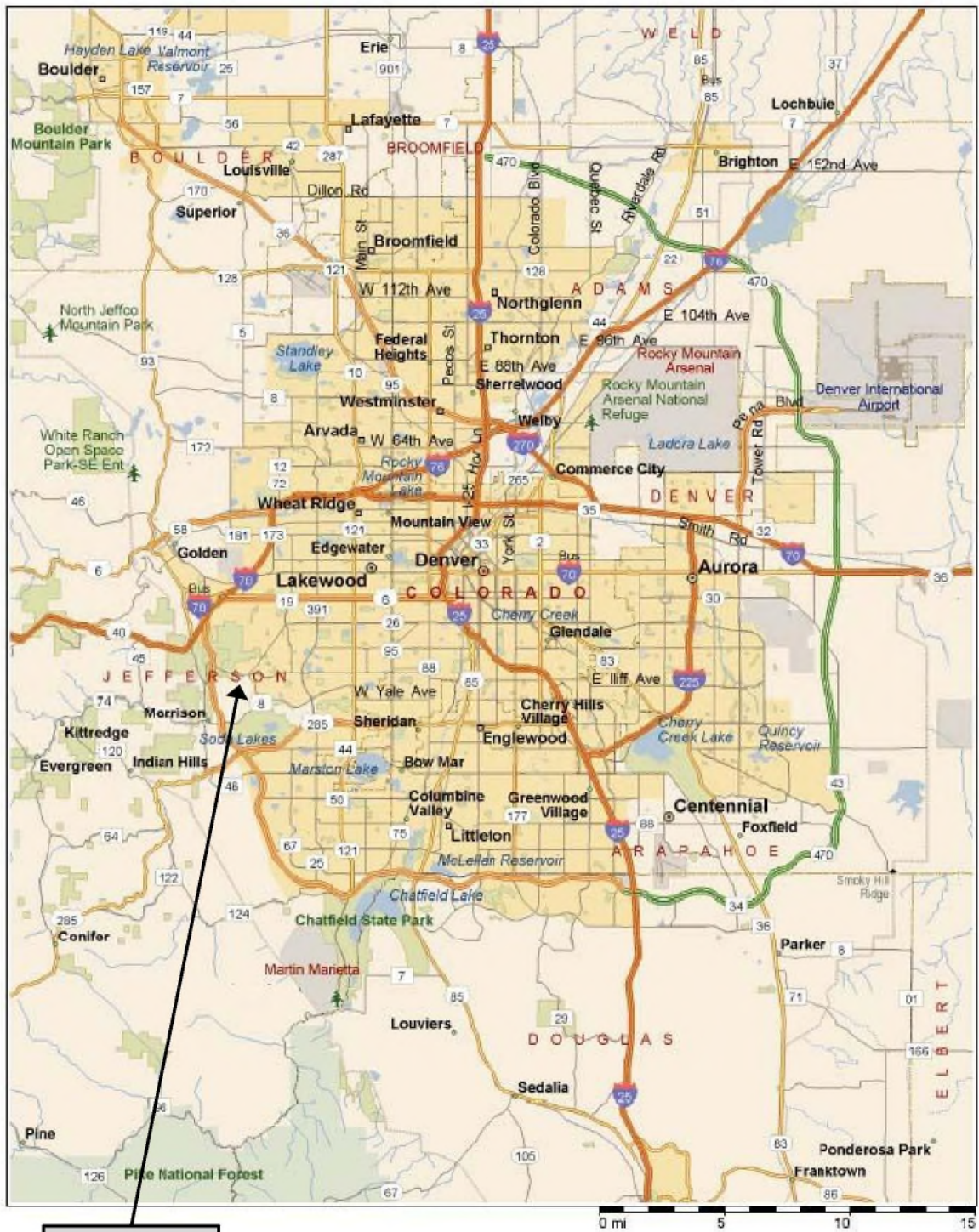
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MAP OF DISTRICT BOUNDARIES



REGIONAL VICINITY MAP



**District
Vicinity**

INTRODUCTION

This Official Statement is furnished to prospective purchasers of \$12,415,000 General Obligation Limited Tax Bonds, Series 2016 (the “Bonds”), issued by Fossil Ridge Metropolitan District No. 3, in the City of Lakewood, in Jefferson County, Colorado (the “State”). The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The information set forth in this Official Statement has been obtained from Fossil Ridge Metropolitan District No. 3 (“District No. 3”), the Developer (defined hereafter), and from other sources believed to be reliable but is not guaranteed as to accuracy or completeness. This Official Statement, including the appendices hereto, 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. See “FORWARD LOOKING STATEMENTS” and “RISK FACTORS.”

The following introductory material is only a brief description of, and is qualified by, the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein.

Changes from Preliminary Limited

Offering Memorandum In addition to the interest rates and other information relating to the pricing of the Bonds set forth herein, this Official Statement contains certain changes from the Preliminary Official Statement dated December 7, 2016. Changes include: (i) deleting the sub-sections of “—Interest” and “—Unpaid Principal and Interest” under the section “THE BONDS” and replacing them with a new sub-section “—Interest Rates; Payment Provisions” revising the description of the payment of interest and principal on the Bonds and adding the term “Record Date” to reflect when interest payments are due; (ii) adding an additional sentence at the end of “THE BONDS—Certain Indenture Provisions—*Surplus Fund*” to describe the use of moneys in the Surplus Fund upon the release of such fund; and (iii) replacing the proposed 2017 budget figures with the adopted 2017 budget figures. See “THE BONDS—Interest Rates; Payment Provisions.”

The Districts District No. 3, Fossil Ridge Metropolitan District No. 1 (“District No. 1”), and Fossil Ridge Metropolitan District No. 2 (“District No. 2” and, together with District No. 1 and District No. 3, collectively, the “Districts”) were created as part of a common plan to provide public improvements within and without the boundaries of the Development (defined hereafter), generally consisting of water, streets, traffic and safety controls, park and recreation, sanitation, mosquito and pest control, security, and covenant control improvements and facilities (as more particularly defined in the Service Plan, the “Public Improvements”), to the extent authorized by a consolidated service plan for the Districts originally approved by the City Council of the City of Lakewood (the “City Council”) on August 8, 2005, and subsequently amended and restated by a First Amended and Restated Service Plan and

a Second Amended and Restated Service Plan approved by City Council on August 28, 2006, and August 27, 2007, respectively. Such Second Amended and Restated Service Plan is referred to herein as the “Service Plan.” District No. 3 and District No. 2 are collectively referred to herein as the “Financing Districts.”

The organization of the Districts was approved by the eligible electors of the Districts voting at the respective District elections held on November 7, 2006. The orders and decrees creating each of the Districts were entered by the Jefferson County District Court in September and October 2006, and recorded with the Jefferson County Clerk and Recorder on October 10, 2006.

The Districts currently encompass approximately 324.599 acres, located in the City of Lakewood (the “City”) in Jefferson County (the “County”), and generally bounded by State Highway C-470 on the west, West Yale Avenue on the south and West Alameda Parkway on the north, including all of the developed and developable property within the Development described below. See “THE DISTRICTS—District Powers—*Inclusions and Exclusions*.” The Financing Districts (defined below) currently have an estimated population of approximately 2,175 persons and a combined 2016 certified assessed valuation of \$49,613,643. See “THE DISTRICTS” and the preceding “MAP OF DISTRICT BOUNDARIES” and “REGIONAL VICINITY MAP.”

As contemplated by the Service Plan, in order to provide for the financing, construction, operation and maintenance of certain Public Improvements, the Districts executed the Master Intergovernmental District Facilities Construction and Service Agreement dated January 8, 2008 (the “Master IGA”), pursuant to which District No. 1, serving as the “Service District,” is generally responsible for administering and managing the construction and operation of the Public Improvements, while District No. 3 and District No. 2, serving as the “Financing Districts,” are generally responsible for producing property tax and other revenue sufficient to pay the costs of operations and debt service expenses incurred for such Public Improvements. See “THE DISTRICT—Multiple District Structure; Master IGA.” The Service Plan also provides that the Districts may enter into a regional improvement intergovernmental agreement, for the purpose of facilitating the financing and construction of regional improvements adjacent to, and surrounding the Development, although the Districts have not done so.

As set forth in the Service Plan, the Districts are authorized to plan, design, acquire, construct, install, relocate, redevelop and finance the Public Improvements within and without the boundaries of the Districts. While the Service Plan anticipates that most Public Improvements provided by the Districts will be dedicated to the City or other appropriate governmental entity or owners association, the Districts are permitted to operate and maintain onsite recreational amenities as well as other Public Improvements not otherwise dedicated to the City or other

utility provider. See “THE DISTRICTS—Facilities and Services Provided by the Financing Districts.”

Development within the Financing Districts.....

The Financing Districts (comprising approximately 324.599 acres) include all of the developed and developable property within an approximately 367-acre planned residential community commonly referred to as “Solterra” (referred to herein as the “Development”). The Development is presently planned for 1,325 residential units. Construction in the Development began in 2007. The property within the District contains approximately 1,325 platted single family and multi-family lots. As of September 30, 2016, 1,046 lots, or 78.9% of the platted lots, had been sold to homebuilders, and 291 lots remained for sale by the Developer (defined below). Of the 1,046 lots which have been sold to homebuilders, approximately 870 homes have been completed and were occupied by homeowners (65.7% of the total platted lots). The remaining 176 lots owned by homebuilders are either for sale or are held by the homebuilders in inventory. Homebuilders currently active in the District include Cardel, Infinity, and Brookfield Residential. The Development also includes “The Retreat,” a community area comprised of an infinity edge pool, fitness area for professionally-taught classes, several patio areas, an outdoor fireplace, amphitheater and a clubhouse (including a large entertaining room and kitchen area with full appliances, bar and dining room). The Retreat is owned and managed by District No. 1. Development within the Financing Districts is being undertaken by Solterra LLC (the “Developer”), as more particularly described in “THE DISTRICTS—Development Within the Districts.”

No assurance is given as to the timing or anticipated valuation of any future development within the Financing Districts. The feasibility of payment of the Bonds has been assessed by District No. 3 based solely on the existing aggregate assessed valuation of the Financing Districts without taking into account future development. This Official Statement does not purport to provide complete information material to the assessment of any future development within the Financing Districts and the Pledged Revenue (defined below) that may result therefrom.

Issuance of the Bonds.....

The Bonds are being issued in full conformity with the constitution and laws of the State of Colorado, including Title 11, Article 57, Part 2, Colorado Revised Statutes, as amended (the “Supplemental Public Securities Act”); Title 32, Article 1, Colorado Revised Statutes, as amended (the “Special District Act”); pursuant to authorizing resolutions adopted by the District’s Board of Directors (the “Board”) prior to the issuance of the Bonds (the “Bond Resolutions”); the Indenture of Trust dated as of December 1, 2016 (the “Indenture”) between District No. 3 and UMB Bank, n.a., as trustee (the “Trustee”); and pursuant to the District’s authorizing election held on November 7, 2006 (the “2006 Election”).

Sources of Payment..... The Bonds are limited tax and special limited revenue obligations of District No. 3 secured by and payable from the Trust Estate, including the “Pledged Revenue” comprised of all revenues derived from Property Taxes and Specific Ownership Taxes.

As defined in the Indenture, “*Property Taxes*” means (i) the Required Mill Levy levied by District No. 3; (ii) the District No. 2 Required Mill Levy levied by District No. 2 and required to be remitted to District No. 3 or the Trustee pursuant to the 2014 Funding Agreement (defined below) and (iii) the ad valorem property taxes levied and collected or received by District No. 2 and District No. 3 pursuant to its mill levy and required to be remitted to District No. 1 or the Trustee pursuant to the 2010 Funding Agreement (defined below), entered into in connection with the issuance of District No. 1’s Series 2010 Bonds, described below.

“Specific Ownership Tax” means, generally (as more particularly defined herein) the specific ownership taxes collected by the County and remitted to District No. 2 and District No. 3 pursuant to §42-3-107, C.R.S., or any successor statute, including such amounts remitted to District No. 2 required to be remitted to District No. 3 or the Trustee pursuant to the 2014 Funding Agreement, and such amounts remitted to District No. 2 and District No. 3 required to be remitted to District No. 1 or the Trustee pursuant to the 2010 Funding Agreement.

Pursuant to the Indenture, District No. 3 is required to impose, and pursuant to a Joint Funding Agreement dated December 22, 2014 (as amended by a First Amendment thereto to be entered into prior to the date of issuance of the Bonds, the “2014 Funding Agreement”), entered into between the Financing Districts in connection with the issuance of District No. 3’s General Obligation Limited Tax Bonds, Series 2014 (the “Series 2014 Bonds”), District No. 2 is required to impose, each year on all taxable property thereof an ad valorem property tax mill levy (referred to herein as the “District No. 3 Required Mill Levy” and the “District No. 2 Required Mill Levy,” respectively) in an amount sufficient to fund the annual Estimated Debt Requirements (meaning the estimated amount of principal and interest on the Bonds, the Series 2010 Bonds and the Series 2014 Bonds) and the Annual Financing Costs (as defined herein, including principal and interest on the Bonds, the Series 2010 Bonds, the Series 2014 Bonds and any additional Parity Bonds (defined below), and replenishment of any reserve fund securing Parity Bonds (including the Series 2010 Bonds and Series 2014 Bonds)); provided that such mill levy is to be not less than 30 mills and not more than 50 mills (and, with respect to such 50 mills, subject to adjustment as provided herein). ***In no event is the District No. 2 Required Mill Levy imposed by District No. 2 or the District No. 3 Required Mill Levy imposed by District No. 3 permitted to exceed 50 mills, adjusted as described herein, or, subject to certain exceptions described herein, permitted to be imposed after January 1, 2057.***

In accordance with the Indenture, the 2010 Indenture (defined below), the 2014 Indenture (defined below), the 2010 Funding Agreement and the

2014 Funding Agreement, all Pledged Revenue is to be deposited with the Trustee and applied in accordance with the Indenture, the 2014 Indenture and the 2010 Indenture, as more particularly described in “THE BONDS—Certain Indenture Provisions—*Flow of Funds*.” See “THE BONDS—Security for the Bonds,” and “FINANCIAL INFORMATION OF THE DISTRICTS.”

The Bonds are also secured by amounts, if any, accumulated in the Surplus Fund up to the combined amount of the 2010 Maximum Surplus Amount (\$820,000), the 2014 Maximum Surplus Amount (\$871,500) and the 2016 Maximum Surplus Amount (\$1,241,500). The Surplus Fund has a current balance of approximately \$732,601; provided, however, that following payments on the Series 2010 Bonds and the Series 2014 Bonds on December 1, 2016, and application of the remaining excess Pledged Revenue in accordance with the 2010 Indenture and 2014 Indenture, the District projects there will remain approximately \$1,250,250 on deposit in the Surplus Fund. See “THE BONDS—Certain Indenture Provisions—*Surplus Fund*.” The Surplus Fund was initially established by the 2010 Indenture and secures the Bonds, the Series 2010 Bonds, the Series 2014 Bonds and any Parity Bonds.

THE BONDS ARE SOLELY THE OBLIGATIONS OF DISTRICT NO. 3 AND, PURSUANT TO AND SOLELY TO THE EXTENT OF ITS OBLIGATIONS UNDER THE 2014 FUNDING AGREEMENT, DISTRICT NO. 2. UNDER NO CIRCUMSTANCES SHALL ANY OF THE BONDS BE CONSIDERED OR HELD TO BE AN INDEBTEDNESS, OBLIGATION OR LIABILITY OF THE CITY OF LAKEWOOD, JEFFERSON COUNTY, THE STATE OF COLORADO OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE FINANCING DISTRICTS.

Outstanding

Parity Bonds

The Bonds are secured by a first lien (but not an exclusive first lien) on the Pledged Revenue. Pursuant to an Indenture of Trust dated as of September 1, 2010 (as amended and supplemented by a First Amendment thereto dated as of December 1, 2014, the “2010 Indenture”) between District No. 1 and the Trustee, District No. 1 has previously issued its Tax Supported Revenue Refunding Bonds, Series 2010 (the “Series 2010 Bonds”). The Series 2010 Bonds were originally issued in the aggregate principal amount of \$8,350,000 and are presently outstanding in the aggregate principal amount of \$8,245,000. On December 22, 2014, District No. 3 issued its Series 2014 Bonds in the original aggregate principal amount of \$8,715,000 which are outstanding in the aggregate principal amount of \$8,715,000. For purposes of providing for the payment of the Series 2010 Bonds and the Series 2014 Bonds, the Districts entered into an Amended and Restated Joint Funding Agreement dated as of September 1, 2010 (the “2010 Funding Agreement”) and the Financing Districts entered into a Joint Funding Agreement dated as of December 22, 2014 (as previously defined, as amended by a First Amendment thereto, the “2014 Funding

Agreement”), respectively, pursuant to which the Financing Districts are obligated to impose ad valorem property taxes in an amount calculated in the same manner as described above with respect to the District No. 2 Required Mill Levy and District No. 3 Required Mill Levy, and pay the revenues resulting therefrom, plus Specific Ownership Tax, to the Trustee for application in accordance with the 2010 Indenture, the 2014 Indenture and any other document pursuant to which any District issues Parity Bonds. Revenues payable to the Trustee or District No. 1 in accordance with the 2010 Funding Agreement or 2014 Funding Agreement constitute Pledged Revenue under the Indenture, pledged to the Bonds on parity with the Series 2010 Bonds, the Series 2014 Bonds and any additional Parity Bonds. The Surplus Fund also secures the Bonds, the Series 2010 Bonds, the Series 2014 Bonds and any Parity Bonds.

Additional Obligations..... Pursuant to the Indenture, District No. 3 is not permitted to issue additional Indebtedness (as defined herein); provided that District No. 3 may issue Additional Bonds (defined herein) secured by Pledged Revenue on parity with the Bonds, the Series 2014 Bonds and Series 2010 Bonds (“Parity Bonds”) without the consent of owners of the Bonds upon the satisfaction of certain tests more particularly described herein. District No. 3 may otherwise issue Additional Bonds secured by Pledged Revenue on a basis subordinate to the Bonds, the Series 2014 Bonds and Series 2010 Bonds (“Subordinate Bonds”) without such consent upon the satisfaction of certain requirements as set forth in the Indenture. See “THE BONDS—Security for the Bonds” and “—Certain Indenture Provisions—*Additional Obligations.*”

Purpose of the Bonds The Bonds are being issued for the purposes of reimbursing the costs of certain infrastructure within the Financing Districts previously funded by the Developer in accordance with an agreement with District No. 1, as more particularly described in “THE DISTRICTS—Material Agreements of the Districts—*Reimbursement and Acquisition Agreement,*” and for paying costs of issuance of the Bonds.

Interest Rates; Payment Provisions; Record Date Interest on the Bonds is payable semi-annually at the rate set forth on the cover page hereof, on June 1 and December 1 each year, commencing June 1, 2017. The principal of and premium, if any, on the Bonds are payable in lawful money of the United States of America to the Owner of each Bond upon maturity or prior redemption and presentation at the principal office of the Trustee. The interest on any Bond is payable to the person in whose name such Bond is registered, at his or her 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 (meaning the fifteenth (15th) day of the calendar month next preceding each interest payment date), irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date; provided that any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable

to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such unpaid interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the unpaid interest, and notice of the Special Record Date shall be given to the Owners of the Bonds not less than ten (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 Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Trustee; provided that the District shall not be required to make funds available to the Trustee prior to the dates on which such interest would otherwise be payable under the Indenture, nor to incur any expenses in connection with such alternative means of payment.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on any Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond; provided however, that notwithstanding anything herein to the contrary, District No. 3 shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by District No. 3 of such amount.

Book-Entry-Only

Registration; Owner of

Bond

The Indenture defines "Owner" as the registered owner(s) of any Bond(s) as shown on the registration books maintained by the Trustee. The Bonds will be issued in fully registered form and will be registered initially in the name of "Cede & Co." as nominee for The Depository Trust Company, New York, New York ("DTC"), a securities depository. Beneficial ownership interests in the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof through participants in the DTC system (the "Participants"). Such beneficial ownership interests will be recorded in the records of the Participants. Persons for which Participants acquire interests in the Bonds (the "Beneficial Owners") will not receive certificates evidencing their interests in the Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal, premium, if any, and interest on the Bonds, as well as notices and other communications made by or on behalf of District No. 3 pursuant to the Bond Resolution, will be made to DTC or

its nominee only. Disbursement of such payments, notices, and other communications by DTC to Participants, and by Participants to the Beneficial Owners, is the responsibility of DTC and the Participants pursuant to rules and procedures established by such entities. See “APPENDIX E—Book-Entry-Only System” for a discussion of the operating procedures of the DTC system with respect to payments, registration, transfers, notices, and other matters.

Exchange and Transfer While the Bonds remain in book-entry only form, transfer of ownership by Beneficial Owners (as defined by the rules of DTC, defined below) may be made as described under the caption “APPENDIX E—Book-Entry-Only System.”

Prior Redemption..... The Bonds are subject to optional and mandatory sinking fund redemption as set forth in “THE BONDS—Prior Redemption.”

Tax Status In the opinion of Greenberg Traurig, LLP, Bond Counsel, assuming continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. Further, interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. See “TAX MATTERS” herein for a description of the federal alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Bonds. Bond Counsel is further of the opinion that interest on the Bonds is exempt from Colorado income taxes and is not a specific preference item for purposes of the State of Colorado alternative minimum income tax for any period during which interest on the Bonds is not included in gross income for federal income tax purposes. See “TAX MATTERS” herein.

Continuing Disclosure

Obligation Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (“Rule 15c2-12”), District No. 3 and District No. 2 each has covenanted, for the benefit of the holders of the Bonds, to provide certain financial information and other operating data and notices of material events after the Bonds are issued. The form of each Financing District’s Continuing Disclosure Undertaking is attached as APPENDIX B to this Official Statement (the “Undertaking”). See also “MISCELLANEOUS—Undertaking To Provide Ongoing Disclosure.”

Financial Statements..... In accordance with Title 29, Article 1, Part 6, Colorado Revised Statutes, as amended (“C.R.S.”), an annual audit is required to be made of the Districts’ financial statements at the end of the fiscal year unless an exemption from audit has been granted by the State Auditor’s Office. The audited financial statements for the Districts for the year ended December 31, 2015 are appended hereto as APPENDIX A.

Offering and Delivery

Information..... The Bonds are offered when, as, and if issued by District No. 3 and accepted by Underwriter, subject to prior sale and the approving legal opinion of Bond Counsel. It is expected that the Bonds will be available for delivery on or about December 21, 2016, against payment therefor.

Debt Ratios The following are selected general obligation debt ratios for the Financing Districts collectively (considering the combined assessed valuations of District No. 2 and District No. 3). The obligations of the Financing Districts to provide for the payment of the Bonds, the Series 2014 Bonds and the Series 2010 Bonds constitute limited tax general obligations of the Financing Districts, the principal amount of which, for purposes of the ratios below, is assumed to equal the total principal amount of the Bonds outstanding. Prospective purchasers are cautioned that each Financing District is only required to impose, for the payment of the Bonds, the Series 2014 Bonds and the Series 2010 Bonds, the District No. 2 Required Mill Levy or the District No. 3 Required Mill Levy, as applicable, and in no event is such mill levy to exceed 50 mills, subject to adjustment as described herein.

Financing Districts 2016 Combined Assessed Valuation ¹	\$49,613,643
Financing Districts 2016 Combined Statutory “Actual” Valuation ¹	\$556,907,062
Financing Districts General Obligation Debt Outstanding	
Upon Issuance of the Bonds ^{1,2}	\$29,375,000
Financing Districts Estimated Population ³	2,175
Total Financing Districts Debt as a Ratio of:	
2016 Combined Assessed Valuation ¹	59.21%
2016 Combined “Actual” Valuation ¹	5.27%
Total Financing Districts Debt Per Capita.....	\$13,506
Estimated Overlapping General Obligation Debt ¹	\$19,868,132
Sum of Financing Districts Debt and Estimated Overlapping Debt ¹	\$49,243,132
Total Financing Districts Debt and Estimated Overlapping Debt as a Ratio of:	
2016 Combined Assessed Valuation ¹	99.25%
2016 Combined “Actual” Valuation ¹	8.84%
Total Financing Districts Debt and Estimated Overlapping Debt Per Capita.....	\$22,640

¹ For definitions of and descriptions of the methodology used in computing assessed valuation, statutory “actual” value, estimated population, general obligation debt outstanding, and estimated overlapping general obligation debt, see “THE BONDS—Security for the Bonds,” “FINANCIAL INFORMATION OF THE DISTRICTS” and “DEBT STRUCTURE” herein.

² Includes the outstanding principal amount of District No. 1’s Series 2010 Bonds (\$8,245,000), the payment obligations with respect to which under the 2010 Funding Agreement constitute limited tax general obligations of the Financing Districts, the principal amount of the Series 2014 Bonds (\$8,715,000) the payment obligations with respect to which under the 2014 Funding Agreement constitute limited tax general obligations of the Financing Districts, and the principal amount of the Bonds, which constitute limited tax general obligations of District No. 3 (in accordance with the Indenture) and District No. 2 (in accordance with the 2014 Funding Agreement).

³ Estimated based on the Districts’ estimate of 870 occupied households in the Financing Districts and 2.5 persons per households.
Sources: Jefferson County Assessor’s Office, District No. 3 and individual overlapping entities

Additional Information ALL OF THE SUMMARIES OF THE STATUTES, RESOLUTIONS, INDENTURE, OPINIONS, CONTRACTS, AND AGREEMENTS DESCRIBED IN THIS OFFICIAL STATEMENT ARE SUBJECT TO THE ACTUAL PROVISIONS OF SUCH DOCUMENTS. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either

publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from: Fossil Ridge Metropolitan District No. 3, c/o White Bear Ankele Tanaka & Waldron Professional Corporation, 2154 East Commons Avenue, Suite 2000, Centennial, Colorado 80122, Telephone: 303-858-1800 or D.A. Davidson & Co., 1550 Market Street, Suite 300, Denver, Colorado, 80202, Telephone: (303) 764-5768.

FORWARD—LOOKING STATEMENTS

This Official Statement, and particularly the information contained under the headings entitled “INTRODUCTION,” “RISK FACTORS,” and “THE DISTRICTS,” contain statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect,” “projected” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any projection is subject to such uncertainties. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between projections and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see “RISK FACTORS.”

RISK FACTORS

PROSPECTIVE INVESTORS IN THE BONDS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT AND SHOULD GIVE PARTICULAR CONSIDERATION TO THE FOLLOWING RISK FACTORS IN CONNECTION WITH THE PURCHASE OF THE BONDS.

General

The purchase of the Bonds involves certain investment risks which are discussed throughout this Official Statement, and each prospective investor should make an independent evaluation of all information presented in this Official Statement in order to make an informed investment decision. The Bonds should only be purchased by investors who can bear the continuing risk of an investment in the Bonds. Particular attention should be given to the factors described below which, among others, could affect the payment of debt service on the Bonds.

Limited Obligations; No Conversion to Unlimited Mill Levy Pledge

The primary source of revenue pledged for the payment of debt service on the Bonds is expected to be revenue generated from ad valorem taxes assessed against all taxable property of the Financing Districts. District No. 3 has covenanted in the Indenture and District No. 2 has covenanted in the 2014 Funding Agreement to levy an ad valorem property tax mill levy each year upon all taxable property in the Financing Districts in an amount equal to the District No. 3 Required Mill Levy and the District No. 2 Required Mill Levy, respectively, and to transfer the proceeds thereof to the Trustee for application in accordance with the Indenture. In no event is the District No. 2 Required Mill Levy imposed by District No. 2 or the District No. 3 Required Mill Levy imposed by District No. 3 permitted to exceed 50 mills, adjusted as described herein. Bondholders cannot require the Financing Districts to raise the District No. 3 Required Mill Levy and the District No. 2 Required Mill Levy above such maximum amounts for the payment of debt service on the Bonds, whether or not the tax revenues generated from such District No. 3 Required Mill Levy and the District No. 2 Required Mill Levy are sufficient to pay the Bonds. Such mill

levy limitations are not subject to release upon the achievement of any particular debt to assessed valuation ratio of any of the Financing Districts. See “THE BONDS—Security for the Bonds” and “—Sources of Payment.”

District No. 3’s ability to pay principal of and interest on the Bonds when due is dependent upon maintenance of an adequate tax base from which the Financing Districts can realize sufficient property tax revenues from the imposition of the District No. 3 Required Mill Levy and the District No. 2 Required Mill Levy, as applicable. As described herein, in satisfaction of the requirements of the 2010 Indenture and 2014 Indenture applicable to the issuance of the Bonds on a parity with the Series 2010 Bonds and the Series 2014 Bonds, the Districts have calculated that the 2015 certified assessed valuation of the Financing Districts (for collection in 2016) and the 2016 certified assessed valuation of the Financing Districts (for collection in 2017) would produce Pledged Revenue equal to at least 1.25 times the maximum annual debt service on the Bonds, the Series 2014 Bonds and the Series 2010 Bonds, *assuming that each Financing District imposes the maximum mill levy of 50 mills*. Actual coverage of such projected Pledged Revenue (assuming that each Financing District imposes the maximum mill levy of 50 mills) as compared to the maximum annual debt service on the Bonds, the Series 2014 Bonds and the Series 2010 Bonds is 1.25x based on the 2015 certified assessed valuation of the Financing Districts and approximately 1.31x based on the 2016 certified assessed valuation of the Financing Districts. See “THE BONDS—Debt Service Coverage.” However, no assurance is given that the assessed valuation of the Financing Districts will not decrease. See “—Risk of Reductions in Assessed Value; Market Value of Land” below.

The feasibility of payment of the Bonds has been assessed by District No. 3 based solely on the existing aggregate assessed value of the Financing Districts without taking into account future development. This Official Statement does not purport to provide complete information material to the assessment of any future development within the Financing Districts. No assurance is given that any anticipated development described below will occur in the projected timeframe, or at all, or that the prices of homes actually constructed will be at or above the levels projected below.

In the event that the revenue derived from the District No. 3 Required Mill Levy and the District No. 2 Required Mill Levy and the other components of the Trust Estate (including amounts on deposit in the Surplus Fund) are insufficient to pay the scheduled principal of and/or interest on the Bonds when due, the unpaid principal will continue to bear interest, and the unpaid interest will compound until the total repayment obligation of District No. 3 for the Bonds equals the amount permitted by law (\$4,920,000,000 in total for all debt obligations of District No. 3). During this period of accrual, so long as the Financing Districts are imposing the applicable District No. 3 Required Mill Levy and the District No. 2 Required Mill Levy and District No. 3 is enforcing collection of the Pledged Revenue, District No. 3 will not be in default under the Indenture, and the Owners will have no recourse against District No. 3 to require such payments (other than to require the Financing Districts to continue to assess and enforce the applicable District No. 3 Required Mill Levy and the District No. 2 Required Mill Levy and collect the revenue derived from such levy and the other components of the Pledged Revenue, to the extent permitted under the Service Plan and other applicable law). In addition, in no event may District No. 3 (under the Indenture) or District No. 2 (under the 2014 Funding Agreement) be required to impose a mill levy that would result in the tax revenues resulting therefrom to exceed the maximum amounts permitted under its electoral authority and any other applicable law (\$4,920,000,000 annually and \$4,920,000,000 in total for each such Financing District). The entire Payment Obligation of District No. 2 under the 2014 Funding Agreement will be deemed defeased and no longer outstanding upon the payment by District No. 2 of the applicable amount. Finally, in accordance with the Service Plan, neither Financing District is permitted to impose a debt service mill levy after January 1, 2057, unless a majority of the Board of Directors of the applicable Financing District imposing the mill levy are residents of such Financing District and have voted in favor of a refunding of the indebtedness which would result in net present value

savings, as more particularly provided in the Service Plan. See “THE BONDS—Security for the Bonds—*Joint Funding Agreements*,” “—*Required Mill Levies*,” “—*Certain Indenture Provisions—Events of Default*” and “—*Remedies on Occurrence of Event of Default*.”

No Mortgage

Payment of the principal of and interest on the Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within any of the Districts.

Risk of Reductions in Assessed Value; Market Value of Land

The owners of the Bonds are dependent upon the assessed value of property within the Financing Districts to provide a tax base from which ad valorem tax revenues are collected for the payment of debt service on the Bonds. The assessed value of property within the Financing Districts is determined by multiplying the “actual value” of the property by an assessment rate, and the “actual value” of the property is determined by the county assessor, all as more particularly described under “FINANCIAL INFORMATION OF THE DISTRICTS—Ad Valorem Property Taxes.” Assessed valuations may be affected by a number of factors beyond the control of the Districts.

Property owners are entitled to challenge the valuations of their property each year, and no assurance can be given that owners of property in the Financing Districts will not seek to do so. The values of constructed buildings may be reduced if market prices decline due to economic factors. Should the actions of property owners or market conditions result in lower assessed valuations of property in the Financing Districts, there can be no assurance that property tax revenue from the District No. 2 Required Limited Mill Levy and the District No. 3 Required Mill Levy would be sufficient to pay debt service on the Bonds. In either case, the security for the Bonds would be diminished, increasing the risk of nonpayment.

In addition, maintenance of the present assessed valuation of the Financing Districts is based on certain assumptions as to the manner in which various properties will be assessed by the County assessor. While these assumptions are based on information provided by the County assessor, no assurance is given that any particular methodology presently used by the County assessor to determine the actual value of property will continue to be used in the future. Any change in the methodology by which the actual value of property is determined could adversely affect the assessed value of property in the Financing Districts and the property taxes that may be generated thereby.

Regardless of the level at which property is assessed for tax purposes, the Districts’ ability to enforce and collect property taxes is dependent upon the property in the Districts 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 Districts.

Additional Parity Bonds

District No. 3 may issue additional Parity Bonds with the consent of the Owners of the Bonds upon the satisfaction of certain tests more particularly described herein. See “THE BONDS—*Certain Indenture Provisions—Additional Obligations*.” The issuance of additional Parity Bonds would dilute the security for the Bonds. Although, pursuant to the Indenture, issuance of Parity Bonds requires demonstration of certain coverage of projected Pledged Revenue at the maximum mill levy required to be imposed by the Financing Districts, there is no assurance that, subsequent to the issuance of such Parity Bonds, assessed valuation of the Financing Districts would not decrease and that, in such event, the

resulting revenues available to District No. 3 would be sufficient to pay all of the Bonds, the Series 2014 Bonds, the Series 2010 Bonds and any additional Parity Bonds, if issued. District No. 3 has no present plans for the issuance of additional Parity Bonds, but expects to do so to pay additional reimbursements to the Developer for the costs of public infrastructure, as and to the extent the assessed valuation of the Financing Districts results in satisfaction of the Indenture's coverage test and permits the same.

No Acceleration

The Indenture provides that notwithstanding anything therein to the contrary, acceleration of the Bonds shall not be an available remedy for an Event of Default.

Potential Conflicts of Interest

All of the members of the Board of Directors of the Districts are either officers or employees of entities affiliated with the Developer. The issuance of the Bonds and the application of the proceeds therefrom, as well as other activities of the Districts, may involve conflicts of interest. By statute, a director must disqualify himself or herself from voting on any issue in which he or she has a conflict of interest unless he or she has disclosed such conflict of interest in a certificate filed with the Secretary of State and the Board of Directors of the Districts at least 72 hours in advance of any meeting in which such conflict may arise. However, compliance with such statute does not provide absolute certainty that contracts between the Districts and persons related to its directors, such as officers or employees of entities affiliated with the Developer, will not be subject to defenses or challenge on the basis of alleged conflicts. It is expected that the interested members of the Board will comply with the statute by making advance disclosure of their conflicts, and that they will not disqualify themselves from voting.

Legal Constraints on District Operations

Various State laws and constitutional provisions govern the assessment and collection of ad valorem property taxes and the issuance of bonds; impose limitations on revenues and spending of the State and local governments, including the Districts; and limit rates, fees and charges imposed by such entities. State laws, constitutional provisions and federal laws and regulations apply to the obligations created by the issuance of the Bonds. There can be no assurance that there will not be changes in interpretation of, or additions to, the applicable laws and provisions which would have a material adverse effect, directly or indirectly, on the affairs of the Districts.

Risk of Internal Revenue Service Audit

The Internal Revenue Service (the "Service") has a program of randomly selecting for audit tax-exempt bonds issued by special purpose governmental units, such as the District, for the purpose of determining whether, under applicable tax law, interest on such bonds is excludable from the federal gross income of the owners thereof. The commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds, regardless of the final outcome. An adverse determination by the Service with respect to the tax-exempt status of interest on the Bonds could be expected to adversely impact the secondary market, if any, for the Bonds, and, if a secondary market exists, would also be expected to adversely impact the price at which the Bonds can be sold. The Indenture does not provide for any adjustment to the interest rates borne by the Bonds in the event of a change in the tax-exempt status of the Bonds or for the redemption of the Bonds upon loss of tax-exempt status. Owners of the Bonds should note that, if the Service audits the Bonds, under current audit procedures, the Service will treat the District as the taxpayer during the initial stage of the audit, and the Owners of the Bonds will have limited rights to participate in such procedures. There can be no assurance that the District will have revenues available to contest an adverse determination by the Service. No transaction participant, including none of

the District, the Underwriters or Bond Counsel, is obligated to pay or reimburse the Owner of any Bond for audit or litigation costs in connection with any legal action, by the Service or otherwise, relating to the Bonds.

One question of the Service examines when auditing bonds issued by special districts is whether or not the issuer of such bonds meets the definition of a political subdivision of a state for federal income tax purposes. For example, in a recently concluded examination in the State of Florida involving the Village Center Community Development District (the “Village District”), the Service took the position in a private ruling called a technical advice memorandum released in 2013 (the “2013 TAM”), that the Village District was not a division of a state or local government, and therefore, any bonds issued by the Village District could not be tax-exempt. The Service position is based on the fact that the Village District was organized and operated in a manner intended to ensure control of the Village District’s board of directors by the private developer of the community served by the Village District, rather than an existing governmental body or an electorate made up of community residents or property owners. In a second technical advice memorandum released in June 2015 (together with the 2013 TAM, the “Village TAMs”), the Service determined that the 2013 TAM would not be applied retroactively to the Village District bonds issued prior to the date of the 2013 TAM.

In the wake of the Village TAMs, on February 23, 2016, the United States Department of the Treasury released proposed regulations (as corrected on March 9, 2016, the “Proposed Regulations”) that provide guidance regarding the definition of political subdivision for purposes of tax-exempt bonds. The proposed regulations require that a political subdivision (i) have the power to exercise at least one sovereign power, (ii) be formed and operated for a governmental purpose, and (iii) have a governing body controlled by or have significant uses of its fund or assets otherwise controlled by a government unit with all three sovereign powers or by an electorate that is not controlled by an unreasonably small number of unrelated electors. Under certain transition rules that apply to obligations issued not later than 90 days after the publication of final regulations in the Federal Register, the proposed definition will not apply to the Bonds for purposes of whether the Bonds are issued by a “State or political subdivision.” See “Changes in Federal and State Tax Law” below.

Determinations by the Service in private rulings such as the Village TAMs are technically limited to and are binding only on the issuer to whom the ruling is addressed with respect to the Bonds addressed therein. In the case of the Village TAMs, the determinations apply only to the Village District. Nonetheless, the Village TAMs describe a current official position of the Office of Chief Counsel of the Service with respect to districts that are controlled by a private developer and an audit position of the Service under a particular set of facts and circumstances. Bond Counsel to the District has taken the Village TAMs into consideration in reaching a conclusion that interest on the Bonds is excludible from gross income for purposes of federal income taxation; however, the opinions of Bond Counsel are not a guaranty of a particular outcome in the event of an audit of the Bonds, but are an expression of Bond Counsel’s legal judgment with respect to the matters addressed therein as of the date the Bonds are issued, and no assurance can be given that the Service will not assert legal positions contrary to those taken by Bond Counsel if an audit of the Bonds is commenced at a later date. See also “TAX MATTERS” herein.

There can be no assurance that an audit by the Service of the Bonds will not be commenced. However, the District has no reason to believe that any such audit will be commenced, or that if commenced, an audit would result in a conclusion of noncompliance with any applicable Service position, regulation or ruling. No rulings have been or will be sought from the Service with respect to any federal tax matters relating to the issuance, purchase, ownership, receipt or accrual of interest upon, or disposition of, the Bonds, including without limitation whether the District is a political subdivision of the State of Colorado for purposes of the Internal Revenue Code and Service regulations. See also “TAX MATTERS” herein.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to obligations issued or executed and delivered prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. For a description of regulations recently proposed by the Service regarding the definition of political subdivisions for purposes of tax-exempt bonds, see the section herein entitled “RISK FACTORS – Risk of Internal Revenue Service Audit.” Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Enforcement of Property Tax Collection Remedies

The duty to pay property taxes does not constitute a personal obligation of the property owners within the Financing Districts. Instead, the obligation to pay property taxes is tied to the properties taxed, and if timely payment is not made, the obligation constitutes a lien against the specific properties. To enforce the liens for delinquent (but not future) property taxes, the County Treasurer has the power to foreclose on and cause the sale of the property that is subject to the delinquent taxes or fees, as provided by law. Foreclosure is generally a time-consuming and expensive process and may not necessarily result in recovery of all amounts due. In addition, the Financing Districts’ ability to enforce and collect property taxes through the foreclosure process is dependent upon the property in the Financing Districts 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 Financing Districts.

Enforceability of Bondholders’ Remedies Upon Default

The remedies available to the owners of the Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including specifically the federal bankruptcy code. The legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, and insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles which may limit the specific enforcement under State law of certain remedies; to the exercise by the United States of America of the powers delegated to it by the federal constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies, in the interest of serving an important public purpose.

THE BONDS

Description

The Bonds are limited tax and special revenue obligations of District No. 3 issued in the total principal amounts, dated the dates, maturing on the dates and bearing interest at the rates set forth on the cover page of under the caption “INTRODUCTION” of this Official Statement. For a complete statement of the details and conditions of the Bonds, reference is made to the Indenture and the 2014 Funding Agreement, copies of which are available as described in “INTRODUCTION—Additional Information.”

Sources of Payment

The Bonds are limited tax and special limited revenue obligations of District No. 3 secured by and payable from the Trust Estate (as defined herein), including the “Pledged Revenue” comprised of all revenues derived from Property Taxes and Specific Ownership Taxes, as more particularly described herein. The Bonds are secured by such Pledged Revenue on parity with District No. 1’s Series 2010 Bonds, presently outstanding in the aggregate principal amount of \$8,245,000 and District No. 3’s Series 2014 Bonds currently outstanding in the aggregate principal amount of \$8,715,000.

The Bonds are also secured by amounts, if any, accumulated in a Surplus Fund. See “—Security for the Bonds” below.

THE BONDS ARE SOLELY THE OBLIGATIONS OF DISTRICT NO. 3 AND, PURSUANT TO AND SOLELY TO THE EXTENT OF ITS OBLIGATIONS UNDER THE 2014 FUNDING AGREEMENT, DISTRICT NO. 2. UNDER NO CIRCUMSTANCES SHALL ANY OF THE BONDS BE CONSIDERED OR HELD TO BE AN INDEBTEDNESS, OBLIGATION OR LIABILITY OF THE CITY OF LAKEWOOD, JEFFERSON COUNTY, THE STATE OF COLORADO OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE FINANCING DISTRICTS.

Authorized Denominations of the Bonds

The Bonds are transferable in “Authorized Denominations,” defined in the Indenture to mean \$5,000 and any integral multiple thereof.

Interest Rates; Payment Provisions

Interest on the Bonds is payable semi-annually at the rate set forth on the cover page hereof, on June 1 and December 1 each year, commencing June 1, 2017. The principal of and premium, if any, on the Bonds are payable in lawful money of the United States of America to the Owner of each Bond upon maturity or prior redemption and presentation at the principal office of the Trustee. The interest on any Bond is payable to the person in whose name such Bond is registered, at his or her 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 Bond subsequent to such Record Date and prior to such interest payment date; provided that any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such unpaid interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the unpaid interest, and notice of the Special Record Date shall be given to the Owners of the Bonds not less than ten (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 Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Trustee; provided that the District shall not be required to make funds available to the Trustee prior to the dates on which such interest would otherwise be payable under the Indenture, nor to incur any expenses in connection with such alternative means of payment.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on any Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond; provided however, that notwithstanding anything herein to the contrary, District No. 3 shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by District No. 3 of such amount.

Prior Redemption

Optional Redemption. Bonds maturing on and after December 1, 2021, are subject to redemption prior to maturity, at the option of District No. 3, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2020, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

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

Year of Redemption	Principal Amount on Redemption Date
2021	\$ 180,000
2022	190,000
2023	200,000
2024	210,000
2025	215,000
2026 ¹	230,000

¹ Maturity date, not a sinking fund redemption.

The Bonds maturing on December 1, 2036 also are subject to mandatory sinking fund redemption prior to the maturity date of such Bonds, in part, by lot, upon payment of par and accrued interest, without redemption premium, on December 1 in the years and amounts set forth below:

Year of Redemption	Principal Amount on Redemption Date
2027	\$240,000
2028	255,000
2029	265,000
2030	280,000
2031	295,000
2032	310,000
2033	325,000
2034	340,000
2035	355,000
2036 ¹	380,000

¹ Maturity date, not a sinking fund redemption.

The Bonds maturing on December 1, 2046 also are subject to mandatory sinking fund redemption prior to the maturity date of such Bonds, in part, by lot, upon payment of par and accrued interest, without redemption premium, on December 1 in the years and amounts set forth below:

Year of Redemption	Principal Amount
2037	\$ 395,000
2038	415,000
2039	435,000
2040	460,000
2041	480,000
2042	505,000
2043	530,000
2044	555,000
2045	1,810,000
2046 ¹	1,905,000

¹ Maturity date, not a sinking fund redemption.

With respect to each maturity of the Bonds subject to mandatory sinking fund redemption, on or before forty-five (45) days prior to each sinking fund installment date for such maturity as set forth above, the Trustee shall select for redemption, by lot in such manner as the Trustee may determine, from the Outstanding Bonds of that maturity, a principal amount of such Bonds equal to the applicable sinking fund installment. The amount of the applicable sinking fund installment for any particular date and maturity may be reduced by the principal amount of any Bonds of that maturity which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against a sinking fund installment. Such reductions, if any, shall be applied in such year or years as may be determined by District No. 3.

General Redemption Provisions. If less than all of the Bonds within a maturity are to be redeemed on any prior redemption date, the Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption, in such manner as the Trustee shall determine. The Bonds shall be redeemed only in integral multiples of \$5,000. In the event a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in the principal amount of \$5,000 or any integral multiple thereof. Such Bond shall be treated for the purpose of redemption as that number of Bonds which results from dividing the principal amount of such Bond by \$5,000. In the event a portion of any

Bond is redeemed, the Trustee shall, without charge to the Owner of such Bond, authenticate and deliver a replacement Bond or Bonds for the unredeemed portion thereof.

Notice and Effect of Redemption. In the event any of the Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid), not less than thirty (30) days prior to the date fixed for redemption, to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by or on behalf of District No. 3 by the Trustee. Failure to give such notice by mailing to any Owner, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Bonds as to which no such failure or defect exists. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice, and if funds for the redemption are not irrevocably deposited with the Trustee or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice shall be specifically subject to the deposit of funds by District No. 3. All Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

Application of Bond Proceeds

General. Proceeds from the sale of the Bonds are being issued for the purposes of reimbursing the costs of certain infrastructure within the Financing Districts previously funded by the Developer in accordance with an agreement with District No. 1, as more particularly described in “THE DISTRICTS—Material Agreements of the Districts—*Reimbursement and Acquisition Agreement*,” and for paying costs of issuance of the Bonds.

Sources and Uses of Funds. The estimated uses of the proceeds of the Bonds and funds available from other sources are as follows:

SOURCES:

Par amount of the Bonds.....	\$12,415,000.00
Original Issue Premium	<u>395,457.75</u>
Total.....	<u>\$12,810,457.75</u>

USES:

Deposit to Project Fund	\$12,591,882.75
Costs of issuance, including underwriting discount, ¹ professional fees, printing costs, rating and contingency	<u>218,575.00</u>
Total.....	<u>\$12,810,457.75</u>

¹ See “MISCELLANEOUS—Underwriting.”
Source: The Underwriter

Security for the Bonds

Special, Limited Obligations; Pledged Revenue. The Bonds are limited tax and special limited revenue obligations of District No. 3 secured by and payable from the Trust Estate (defined below), including the “Pledged Revenue,” defined as all revenues derived from Property Taxes and Specific Ownership Taxes. The Bonds are secured by such Pledged Revenue on parity with District No. 1’s Series 2010 Bonds, presently outstanding in the aggregate principal amount of \$8,245,000 and the District’s Series 2014 Bonds, presently outstanding in the aggregate principal amount of \$8,715,000.

The Bonds, the Series 2014 Bonds and the Series 2010 Bonds are also secured by amounts accumulated, if any, on deposit in a Surplus Fund. See “—Certain Indenture Provisions—*Surplus Fund*” below.

“*Property Taxes*” means (i) the District No. 3 Required Mill Levy levied by District No. 3 (pursuant to the Indenture); (ii) the District No. 2 Required Mill Levy levied by District No. 2 and required to be remitted to District No. 3 or the Trustee pursuant to the 2014 Funding Agreement; and (iii) the ad valorem property taxes levied and collected or received by District No. 2 and District No. 3 pursuant to its mill levy and required to be remitted to District No. 1 or the Trustee pursuant to the 2010 Funding Agreement.

“*Specific Ownership Tax*” means (i) the specific ownership taxes collected by the county and remitted to District No. 3 pursuant to §42-3-107, C.R.S., or any successor statute; (ii) the specific ownership taxes collected by the county and remitted to District No. 2 pursuant to §42-3-107, C.R.S., or any successor statute and required to be remitted to District No. 3 or the Trustee pursuant to the 2014 Funding Agreement and (iii) the specific ownership taxes collected by the county and remitted to District No. 2 and District No. 3 pursuant to §42-3-107, C.R.S., or any successor statute and required to be remitted to District No. 1 or the Trustee pursuant to the 2010 Funding Agreement.

“*Trust Estate*” means: (i) all the Pledged Revenue; (ii) all of the Trustee’s right, title and interest in and to and remedies under the Bond Documents (generally meaning the Bonds, the Indenture, the 2014 Funding Agreement, and any supplements thereto); (iii) all moneys which are at any time or from time to time on deposit in the Bond Fund, the Costs of Issuance Fund and the Surplus Fund; and (iv) all other legally available revenues of the Districts and all right, title and interest in and to and remedies with respect to any and all other property, if any, of every description and nature from time to time hereafter by delivery or by writing of any kind conveyed, pledged, assigned or transferred, as and for additional security hereunder, by the Districts or by anyone on its behalf or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

In accordance with the Indenture, the 2010 Indenture, the 2010 Funding Agreement, the 2014 Indenture and the 2014 Funding Agreement, all Pledged Revenue is to be deposited with the Trustee and applied in accordance with the Indenture, the 2014 Indenture and the 2010 Indenture, as more particularly described in “THE BONDS—Certain Indenture Provisions—*Flow of Funds*.” See also “THE BONDS—Security for the Bonds” and “FINANCIAL INFORMATION OF THE DISTRICTS.”

THE BONDS ARE SOLELY THE OBLIGATIONS OF DISTRICT NO. 3 AND, PURSUANT TO AND SOLELY TO THE EXTENT OF ITS OBLIGATIONS UNDER THE 2014 FUNDING AGREEMENT, DISTRICT NO. 2. UNDER NO CIRCUMSTANCES SHALL ANY OF THE BONDS BE CONSIDERED OR HELD TO BE AN INDEBTEDNESS, OBLIGATION OR LIABILITY OF THE CITY OF LAKEWOOD, JEFFERSON COUNTY, THE STATE OF COLORADO OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE FINANCING DISTRICTS.

Joint Funding Agreements. In connection with the issuance of the Series 2014 Bonds, the Financing Districts entered into a Joint Funding Agreement dated December 22, 2014 (as previously defined, as amended by a First Amendment thereto, the “2014 Funding Agreement”), pursuant to which District No. 2 is obligated to impose the District No. 2 Required Mill Levy for the purpose of providing for the payment of the Series 2014 Bonds and other “Parity Debt,” as defined therein (including the Series 2010 Bonds and the Bonds). In addition, in connection with District No. 1’s issuance of the Series 2010 Bonds, the Districts have previously entered into an Amended and Restated Joint Funding Agreement dated as of September 1, 2010 (the “2010 Funding Agreement” and, together with the 2014 Funding

Agreement, the “Funding Agreements”), pursuant to which both District No. 2 and District No. 3 are obligated to impose ad valorem property taxes for the purpose of providing for the payment of the Series 2010 Bonds and other “Parity Debt,” as defined therein (including the Series 2014 Bonds and the Bonds). See “—*Required Mill Levies*” below. The ad valorem property tax pledge of District No. 2 and District No. 3 under the 2010 Funding Agreement is the same pledge as District No. 2’s and District No. 3’s pledge to impose the District No. 2 Required Mill Levy and the District No. 3 Required Mill Levy under the 2014 Funding Agreement, the 2014 Indenture and the Indenture, respectively. All revenues payable to the Trustee under the Funding Agreements constitute Pledged Revenue pledged to the payment of the Bonds, the Series 2014 Bonds and the Series 2010 Bonds on parity, in accordance with the Indenture, the 2014 Indenture and the 2010 Indenture.

Pursuant to the 2014 Funding Agreement, in exchange for the issuance of the obligations secured thereby, the proceeds of which are to be applied to pay the costs of acquiring, constructing, and installing a portion of the facilities the debt for which was approved by the 2006 Election, District No. 2 agrees to pay such portion of the principal of, and interest on, the Series 2014 Bonds, any outstanding Parity Debt (including the Bonds and the Series 2010 Bonds), replenishment of any reserve fund with respect to any outstanding Parity Debt (the “Financing Costs”) as may be funded with the Pledged Revenue available to it from imposition of the District No. 2 Required Mill Levy. The obligation of District No. 2 to pay its portion of the Financing Costs as provided in the 2014 Funding Agreement constitutes a limited tax obligation of District No. 2 payable solely from and to the extent of the Pledged Revenue. The obligation of District No. 2 to pay the Financing Costs as provided in the 2014 Funding Agreement constitutes an irrevocable lien upon the Pledged Revenue of District No. 2, on parity with the lien thereon of the 2010 Funding Agreement, and the Pledged Revenue is pledged by District No. 2 for the benefit of District No. 3 and the Trustee for the payment of Financing Costs in accordance with the provisions of the 2014 Funding Agreement, the 2014 Indenture and the Indenture. For purposes of the 2014 Funding Agreement, “Pledged Revenue” means District No. 2 Taxes (meaning revenues resulting from the District No. 2 Required Mill Levy and the revenues derived by District No. 2 from the Specific Ownership Tax), and any other legally available moneys which District No. 2 determines in its sole discretion, to make available for payment of Financing Costs.

Pursuant to the 2014 Funding Agreement, District No. 2 agrees not to incur, assume or issue any debt without District No. 3’s prior written consent.

2014 Funding Agreement Events of Default and Remedies. The occurrence or existence of any one or more of the following events shall be an “Event of Default” under the 2014 Funding Agreement, and there shall be no default or Event of Default under the 2014 Funding Agreement except as provided below: (a) District No. 2 fails or refuses to impose the District No. 2 Required Mill Levy or to remit the Pledged Revenue as required by the terms of the 2014 Funding Agreement; (b) any representation or warranty made by any party in the 2014 Funding Agreement proves to have been untrue or incomplete in any material respect when made and which untruth or incompleteness would have a material adverse effect upon any other party; (c) any party fails in the performance of any other of its covenants in the 2014 Funding Agreement, and such failure continues for forty-five (45) days after written notice specifying such default and requiring the same to be remedied is given to any of the parties hereto; or (d) any party shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or any party shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any party any case, proceeding, or other action of a nature referred to in clause (i) and the same shall remain not dismissed within sixty (60)

days following the date of filing; or (iii) there shall be commenced against any party any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, or bonded pending appeal within sixty (60) days from the entry thereof, or (iv) any party shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) any party shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due. Upon the occurrence and continuance of an Event of Default, any party may proceed to protect and enforce its rights against the party or parties causing the Event of Default by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, including an action for specific performance. In the event of any litigation or other proceeding to enforce any of the terms, covenants or conditions hereof, the prevailing party in such litigation or other proceeding shall obtain, as part of its judgment or award, its reasonable attorneys' fees and costs.

Required Mill Levies. Pursuant to the Indenture, the 2014 Indenture and the 2010 Funding Agreement, District No. 3 is required to impose the "Required Mill Levy" (referred to herein as the "District No. 3 Required Mill Levy"), and pursuant to the 2014 Funding Agreement, District No. 2 is required to impose the "District No. 2 Required Mill Levy," meaning:

(a) an ad valorem mill levy (a mill being equal to 1/10 of one cent) levied upon all taxable property of the applicable District each year in an amount sufficient to fund the Estimated Debt Requirements for the year in which the taxes derived from such levy are collected and pay the Annual Financing Costs for such year; provided, however, that such mill levy shall under no circumstances be less than 30 mills, nor greater than the Maximum Mill Levy, and

(b) Notwithstanding anything herein to the contrary, in no event may the District No. 2 Required Mill Levy or the District No. 3 Required Mill Levy be established at a mill levy which would cause the District No. 2 or District No. 3, respectively, to derive tax revenue in any year in excess of the maximum tax increases permitted by the applicable District's electoral authorization, and if the District No. 2 Required Mill Levy or the District No. 3 Required Mill Levy as calculated pursuant to the provisions of the foregoing paragraphs (a) and (b) would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by District No. 2's or District No. 3's (as applicable) electoral authorization, the District No. 2 Required Mill Levy or the District No. 3 Required Mill Levy, as applicable, shall be reduced to the point that such maximum tax increase is not exceeded.

"Annual Financing Costs" means the Financing Costs to become due and payable in accordance with the Indenture, the 2014 Indenture and the 2010 Indenture in the next succeeding fiscal year.

"Estimated Debt Requirements" means the estimated amount of principal and interest due and owing on the Bonds, as well as all Parity Debt.

"Financing Costs" means the principal of, and interest on, the Bonds, any outstanding Parity Bonds, and replenishment of any reserve fund with respect to any outstanding Parity Bonds, taking into account the limitations imposed by the Maximum Net Effective Interest Rate, the Maximum Mill Levy and the Maximum Debt Mill Levy Imposition Term.

"General Obligation Debt" means general obligation bonds or other financial obligations issued by any District, which are not subject to annual appropriation, the payment of which any District has promised to impose, collect and pledge an ad valorem property tax mill levy, as permitted by the Service Plan.

“*Maximum Debt Mill Levy Imposition Term*” means all Debt (as defined in the Service Plan) issued shall be issued with a term not to exceed thirty (30) years; provided that the Maximum Debt Mill Levy Imposition Term may be extended pursuant to an intergovernmental agreement between the City and the District.

“*Maximum Mill Levy*” means the maximum mill levy that the Financing Districts are permitted to impose for all purposes, including payment of General Obligation Debt and operations and maintenance costs, and may not exceed fifty (50) mills; provided that if, on or after January 1, 2007, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, the mill levy limitation applicable to such Debt may 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 for changes occurring after January 1, 2007, 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. Any increase to the Maximum Mill Levy over those adjustments permitted herein shall constitute a material modification to the Service Plan.

“*Maximum Net Effective Interest Rate*” means a rate not to exceed 4% above the 30 year “AAA” GO rate provided by the Municipal Market Advisors, which rate was 7.16% as of the date of pricing of the Bonds.

In no event is the District No. 2 Required Mill Levy imposed by District No. 2 or the District No. 3 Required Mill Levy imposed by District No. 3 permitted to exceed 50 mills, adjusted as described herein.

In accordance with the Service Plan, neither Financing District is permitted to impose a debt service mill levy after January 1, 2057, unless a majority of the Board of Directors of the applicable Financing District imposing the mill levy are residents of such Financing District and have voted in favor of a refunding of the indebtedness which will result in net present value savings, as more particularly provided in the Service Plan.

The Indenture provides that, for the purpose of paying the principal of, premium if any, and interest on the Bond, and any Parity Bonds, and, if necessary, funding the Surplus Fund, District No. 3 covenants to cause to be levied on all of the taxable property of District No. 3, in addition to all other taxes, direct annual taxes in each of the years 2017 to 2046, inclusive (and, to the extent necessary to make up any overdue payments on the Bonds, in each year from 2047 to 2056, inclusive, or such later date as may be permitted by the Service Plan), in the amount of the District No. 3 Required Mill Levy. Nothing in the Indenture shall be construed to require District No. 3 to levy an ad valorem property tax in excess of the District No. 3 Required Mill Levy.

Pursuant to the 2014 Funding Agreement, District No. 2 agrees to levy on all of the taxable property of District No. 2, in addition to all other taxes, direct annual taxes in each of the 2016 to 2044, inclusive (and, to the extent necessary to make up any overdue payments on the Bonds, in each year from 2045 to 2056, inclusive, or such later date as may be permitted by the Service Plan), in the amount of the District No. 2 Required Mill Levy. Nothing shall be construed to require District No. 2 to impose an ad valorem property tax levy in excess of the District No. 2 Required Mill Levy.

The Indenture and the 2014 Funding Agreement each state that it is the intent of each of the Financing Districts that the amount of the District No. 2 Required Mill Levy each year shall be the same as the amount of the District No. 3 Required Mill Levy. However, pursuant to the Indenture, if District No. 2 is imposing its Maximum Mill Levy and such imposition is not adequate to pay its share of the

Financing Costs, or if District No. 2 fails to impose the District No. 2 Required Mill Levy, then District No. 3 is required to impose such mill levy as is necessary to provide District No. 3 Taxes to pay the Annual Financing Costs, when combined with the revenue derived by the imposition of the District No. 2 Required Mill Levy by District No. 2 pursuant to the 2014 Funding Agreement and the other revenue pledged under the Indenture, up to but not exceeding its Maximum Mill Levy. Furthermore, pursuant to the 2014 Funding Agreement, if District No. 3 is imposing its Maximum Mill Levy and such imposition is not adequate to pay its share of the Financing Costs, or if District No. 3 fails to impose the District No. 3 Required Mill Levy, then District No. 2 is required to impose such mill levy as is necessary to provide District No. 2 Taxes to pay the Annual Financing Costs, when combined with the revenue derived by the imposition of the District No. 3 Required Mill Levy by District No. 3 pursuant to the Indenture and the other revenue pledged under the Indenture, up to but not exceeding its Maximum Mill Levy. For purposes of the foregoing, “District No. 2 Taxes” means revenues resulting from the District No. 2 Required Mill Levy and “District No. 3 Taxes” means revenues resulting from the District No. 3 Required Mill Levy.

Specific Ownership Tax Revenues. “Specific Ownership Tax Revenues” is defined in the Indenture to mean the specific ownership tax imposed by the State, collected by the County and remitted to District No. 3 pursuant to §42-3-107, C.R.S., or any successor statute; (ii) the specific ownership taxes collected by the County and remitted to District No. 2 pursuant to §42-3-107, C.R.S., or any successor statute and required to be remitted to District No. 3 or the Trustee pursuant to the 2014 Funding Agreement and (iii) the specific ownership taxes collected by the County and remitted to District No. 2 and District No. 3 pursuant to §42-3-107, C.R.S., or any successor statute and required to be remitted to District No. 1 or the Trustee pursuant to the 2010 Funding Agreement.

Outstanding Parity Bonds

The Bonds are secured by a first lien (but not an exclusive first lien) on the Pledged Revenue. Pursuant to an Indenture of Trust dated as of September 1, 2010 (as amended and supplemented by a First Amendment thereto dated as of December 1, 2014, the “2010 Indenture”) between District No. 1 and the Trustee, District No. 1 has previously issued its Tax Supported Revenue Refunding Bonds, Series 2010 (the “Series 2010 Bonds”). The Series 2010 Bonds were originally issued in the aggregate principal amount of \$8,350,000 and are presently outstanding in the aggregate principal amount of \$8,245,000. On December 22, 2014, District No. 3 issued its Series 2014 Bonds in the original aggregate principal amount of \$8,715,000 which are outstanding in the aggregate principal amount of \$8,715,000. The Series 2010 Bonds and Series 2014 Bonds constitute Parity Bonds under the Indenture. See “—Certain Indenture Provisions—*Flow of Funds*” below.

Certain Indenture Provisions

The following is a description of certain provisions of the Indenture and is subject in all respects to the more specific provisions of the Indenture.

Creation and Continuation of Funds and Accounts. Under the Indenture there are created and established (or continued, as indicated below) the following funds and accounts, which are to be established with and maintained by the Trustee pursuant to the provisions of the Indenture:

- (a) the Project Fund;
- (b) the Costs of Issuance Fund;
- (c) the Bond Fund; and

(d) the Surplus Fund (established by the 2010 Indenture and continued by the Series 2014 Indenture and the Indenture).

Flow of Funds. The Indenture requires District No. 3 to transfer all amounts comprising Pledged Revenue to the Trustee as soon as may be practicable after the receipt thereof. The Trustee shall apply the Pledged Revenue in the following order of priority. For purposes of the following: (i) 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 (ii) when credits are required to go to funds or accounts which are not held by the Trustee under the Indenture (including, without limitation, funds or accounts held under the 2010 Indenture and 2014 Indenture), the Trustee may rely upon the written instructions of District No. 3 with respect to the appropriate funds or accounts to which such credits are to be made.

FIRST: To the credit of the Bond Fund, the amounts described in “—*Bond Fund*” below, and to the credit of any other similar fund or account established for the payment of the principal of, premium if any, and interest on any Parity Bonds, the amounts required by the resolution or other enactment authorizing issuance of the Parity Bonds;

SECOND: To the credit of any reserve fund or account established to secure payment of the principal of, premium if any, and interest on any Parity Bonds, the amounts required by the resolution or other enactment authorizing issuance of the Parity Bonds;

THIRD: For so long as the Surplus Fund has not been terminated, to the credit of the Surplus Fund the amounts described in “—*Surplus Fund*” below, and to the credit of any other similar fund or account established to secure payment of the principal of, premium if any, and interest on any Parity Bonds, the amounts required by the resolution or other enactment authorizing issuance of the Parity Bonds;

FOURTH: To the credit of any other fund or account hereafter established for the payment of the principal of, premium if any, and interest on Subordinate Bonds, including any sinking fund, reserve fund, or similar fund or account established therefor, the amounts required by the resolution or other enactment authorizing issuance of the Subordinate Bonds; and

FIFTH: To the credit of any other fund or account as may be designated by District No. 3, to be used for any lawful purpose, any Pledged Revenue remaining after the payments and accumulations set forth above.

Any reserve funds established to secure the payment of Parity Bonds as referenced above secure only such Parity Bonds and not the Bonds (i.e., the Series 2014 Bonds). The Surplus Fund established by the 2010 Indenture secures the Bonds, the Series 2014 Bonds, the Series 2010 Bonds, and any other Parity Bonds.

Bond Fund. Subject to the receipt of sufficient Pledged Revenue, there shall be credited to the Bond Fund each Bond Year an amount of Pledged Revenue which, when combined with other legally available moneys in the Bond Fund (not including moneys deposited thereto from other funds pursuant to the terms of the Indenture), will be sufficient to pay the principal of, premium if any, and interest on the Bonds which has or will become due in the Bond Year in which the credit is made. Moneys in the Bond Fund (including any moneys transferred thereto from other funds pursuant to the terms hereof) shall be used by the Trustee solely to pay the principal of, premium if any, and interest on the Bonds, in the following order:

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

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

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

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

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

Cost of Issuance Fund. Pursuant to the Indenture, amounts credited to the Costs of Issuance Fund shall be used by the Trustee to pay the costs of issuance of the Bonds. The Trustee is hereby directed to pay the costs of issuance to the parties and in the amounts listed in a closing memorandum provided to the Trustee by the Underwriter and acknowledged by District No. 3's President or the District No. 3's Representative (as defined in the Indenture), upon presentation of an invoice from each party for the amount listed. Any discrepancies will be approved by District No. 3 prior to payment of the expense. Moneys held as part of the Costs of Issuance Fund may be invested or reinvested by the Trustee in Permitted Investments in accordance with written instructions from District No. 3. Any moneys remaining in the Costs of Issuance Fund ninety (90) days after the date of issuance of the Bonds shall be credited to the Bond Fund.

Project Fund

In General. Pursuant to the Indenture, so long as no Event of Default shall have occurred and be continuing, the Trustee will disburse funds from the Project Fund in accordance with requisitions in substantially the form set forth in the Indenture, signed by the District Representative or the President or Vice President of District No. 3. In addition, in the event the moneys in the other funds and accounts held by the Trustee hereunder and legally available for payment of the Bonds are ever insufficient to pay the principal of, premium if any, or interest on the Bonds when due and there is no Event of Default, the Trustee shall transfer moneys from the Project Fund to the Bond Fund in amounts sufficient, when combined with such other legally available moneys, to make such payments when due; and in the event all of such moneys are still insufficient to make such payments when due, the Trustee shall nonetheless transfer all moneys in the Project Fund to the Bond Fund.

Upon the receipt by the Trustee of a resolution of District No. 3 determining that all Project Costs have been paid, any balance remaining in the Project Fund shall be credited to the Bond Fund. In addition, upon District No. 3's determination that the funds in the Project Fund exceed the amount necessary to pay all Project Costs, such excess amount shall be credited to the Bond Fund in the amounts

determined by District No. 3. The Project Fund shall terminate at such time as no further moneys remain therein.

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

Surplus Fund. Pursuant to the Indenture, there shall be deposited in the Surplus Fund, Pledged Revenue which is not used for payment of interest on the Bonds and any Parity Bonds, all as required in the Indenture, or which are not deposited in the reserve fund for the 2010 Bonds, in each Bond Year up to the combined amount of the 2010 Maximum Surplus Amount (\$820,000), the 2014 Maximum Surplus Amount (\$871,500) and the 2016 Maximum Surplus Amount (\$1,241,500). The Surplus Fund has a current balance of approximately \$732,601; provided, however, that following payments on the Series 2010 Bonds and the Series 2014 Bonds on December 1, 2016, and application of the remaining excess Pledged Revenue in accordance with the 2010 Indenture and 2014 Indenture, the District projects there will remain approximately \$1,250,250 on deposit in the Surplus Fund. The Surplus Fund shall not be funded with Bond proceeds, but shall be funded solely from deposits of Pledged Revenue, and except to the extent Pledged Revenue is available under such section, District No. 3 has no obligation to fund the Surplus Fund in any amount. If on any stated maturity date, redemption date, or Interest Payment Date, the Bond Fund and any other similar funds in connection with any Parity Bonds, do not contain sufficient moneys to pay the principal of and interest on the Bonds and any Parity Bonds due and payable on such maturity date, redemption date, or Interest Payment Date, the Trustee is to transfer moneys from the Surplus Fund to the Bond Fund and any other similar funds in connection with any Parity Bonds to the extent of such deficiency. District No. 3 shall maintain the combined amount of the 2016 Maximum Surplus Amount, 2014 Maximum Surplus Amount and 2010 Maximum Surplus Amount until such time as the Pledged Revenue for the prior two Fiscal Years of District No. 3 is equal to or greater than 1.35x the Maximum Annual Debt Service (as defined in “—Additional Obligations” below) on the Bonds and any Parity Bonds. Upon such event, the moneys in the Surplus Fund are to be credited pursuant to “FIFTH” in “—Flow of Funds” above if there are any Outstanding Subordinate Bonds, and if there are no Outstanding Subordinate Bonds, then such amounts remaining in the Surplus Fund are to be transferred to District No. 3 and used by it, first to pay amounts due and owing to District No. 1 under the Master IGA for reimbursement to the Developer under the Reimbursement and Acquisition Agreement, and if no amounts are due and owing under the Master IGA and the Reimbursement and Acquisition Agreement, then second to District No. 3 to be used by it for any lawful purpose, and the Surplus Fund is to be terminated.

Additional Obligations. District No. 3 may issue Additional Bonds (meaning bonds, notes, evidences of indebtedness or other multiple fiscal year financial obligations of the Districts) constituting Parity Bonds (meaning such Additional Bonds secured by the Pledged Revenue on a parity with the Bonds) and Subordinate Bonds (meaning such Additional Bonds secured by the Pledged Revenue on a subordinate lien status relative to the Bonds) as described below, and otherwise may not incur any other Indebtedness. The aggregate principal amount of Additional Bonds which may be issued hereunder shall not exceed the limitations set forth in the Service Plan. The Indenture defines “Indebtedness” as any (i) indebtedness of District No. 3 for borrowed moneys, (ii) any leases required to be capitalized in accordance with generally accepted accounting principles and (iii) installment purchase obligations. Indebtedness does not include accounts payable or other obligations of District No. 3 incurred in the ordinary course of business, which obligations are not required to be capitalized in accordance with generally accepted accounting principles.

As long as no event of non-performance under the Indenture has occurred and is continuing, a series of Additional Bonds (meaning bonds, notes, evidences of indebtedness or other multiple fiscal year

financial obligations of the Districts) constituting Parity Bonds (meaning such obligations secured by the Pledged Revenue on a parity with the Bonds) may be issued thereunder, for the purpose of financing the acquisition of or Construction of the Facilities (as defined in the Indenture) to the extent permitted by law including the costs of issuance and sale of such Additional Bonds and interest during Construction (as defined in the Indenture) for such period as shall be determined by District No. 3, subject to the provision of certain documentation to the Trustee, including a certificate of a District Representative (as defined in the Indenture) stating that the certified assessed valuation of all taxable property in the Financing Districts for each of the prior two years as of the date of the final certification equals an amount that will permit the Financing Districts to levy and collect Pledged Revenue in subsequent years assuming 100% collection that will total at least one and twenty-five hundredths (1.25x) times the Maximum Annual Debt Service on all Outstanding Bonds and Parity Bonds and the Additional Bonds proposed to be issued. District No. 3 may use a rate of levy for Property Taxes of up to 50 mills for purposes of determining the ratio. For purposes of the foregoing, the Indenture defines "Maximum Annual Debt Service" as: as of any date of calculation and with respect to any annual period the sum of (i) the maximum amount of interest payable on all Outstanding Bonds and any Parity Bonds during such period (except to the extent that such interest is payable from the proceeds of such bonds set aside for such purpose), and (ii) the maximum amount of principal (or mandatory sinking fund or redemption fund) payments on such Outstanding Bonds and any Parity Bonds required in such annual period; computed on the assumption that no portion of such bonds shall cease to be outstanding in such period except by reason of the application of such scheduled payments.

In addition, District No. 3 may issue Subordinate Bonds without the consent of the Owners of Bonds or any Parity Bonds then Outstanding, in order to acquire, construct and equip the Facilities pursuant to the Service Plan and to the extent permitted by law, subject to the submittal of certain documentation to the Trustee.

Additional Covenants and Agreements of District No. 3. Pursuant to the Indenture, District No. 3 has further irrevocably covenanted and agreed with each and every Owner that so long as any of the Bonds remain Outstanding:

(a) District No. 3 shall not dissolve, merge, or otherwise alter its corporate structure in any manner or to any extent as might materially adversely affect the security provided for the payment of the Bonds, and will continue to operate and manage District No. 3 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 District No. 3 from dissolving pursuant to the provisions of the Act.

(b) At least once a year District No. 3 will cause an audit to be performed of the records relating to its revenues and expenditures, and District No. 3 shall use its best efforts to have such audit report completed no later than 210 days after the end of any calendar year. The foregoing covenant shall apply notwithstanding any state law audit exemptions that may exist. In addition, at least once a year in the time and manner provided by law, District No. 3 will cause a budget to be prepared and adopted. Copies of the budget and the audit will be filed and recorded in the places, time, and manner provided by law.

(c) District No. 3 will carry general liability coverage, worker's compensation, public liability, and such other forms of insurance on insurable District No. 3 property upon the terms and conditions, and issued by recognized insurance companies, as in the judgment of District No. 3 would ordinarily be carried by entities having similar properties of equal value, such insurance being in such amounts as will protect District No. 3 and its operations.

(d) Each official or other person having custody of any District No. 3 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, District No. 3 shall diligently cooperate with the appropriate county treasurer to enforce the lien of such unpaid taxes against the property for which the taxes are owed.

(f) In the event the Pledged Revenue and other moneys available for payment of the Bonds is insufficient or is anticipated to be insufficient to pay the principal of, premium if any, and interest on the Bonds when due, District No. 3 shall use its best efforts to refinance, refund, or otherwise restructure the Bonds so as to avoid such insufficiency.

(g) In the event that an exemption from registration for the Bonds under the Colorado Municipal Bond Supervision Act becomes available that permits the issuance or reissuance of the Bonds in denominations of \$1,000 or integral multiples thereof, and if requested in writing by the Consent Parties with respect to not less than a majority in aggregate principal amount of the Bonds, District No. 3 shall, at the expense of the Consent Parties so requesting, use its good faith efforts to obtain such an exemption, amend the Indenture as may be required in connection therewith, and issue or reissue the Bonds in denominations of \$1,000 or integral multiples thereof.

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 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):

(a) District No. 3 fails or refuses to impose the District No. 3 Required Mill Levy or to apply the Pledged Revenue as required by the Indenture;

(b) District No. 2 fails or refuses to impose the mill levy required to be imposed by the 2014 Funding Agreement, or District No. 3 fails or refuses to apply the Pledged Revenue derived from the 2014 Funding Agreement as required by the Indenture;

(c) Any 2014 Funding Agreement Default (other than as described in (b) above) occurs and the defaulting party fails to remedy the same after notice thereof pursuant to the Indenture;

(d) District No. 3 defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of District No. 3 in the Indenture or the Bond Resolution (other than as described in (a) above) and fails to remedy the same after notice thereof pursuant to the Indenture; or

(e) Any of the Districts files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds, any Parity Bonds or the 2014 Funding Agreement.

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

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

(a) *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 District No. 3; but notwithstanding the appointment of any receiver or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the Indenture to, the Trustee.

(b) *Suit for Judgment.* The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Act, the Bonds, the Bond Resolution, the Indenture, the 2014 Funding Agreement and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.

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

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

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

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

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

Rights and Remedies of Owners. No Owner of any Bond shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust thereof or for the appointment of a receiver or any other remedy thereunder, unless a default has occurred of which the Trustee has been notified as provided in the Indenture, or of which under the Indenture it is deemed to have notice, and unless such default shall have become an Event of Default and the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers granted or to institute such action, suit, or proceedings in their

own name, nor unless they have also offered to the Trustee indemnity as provided in the Indenture, nor unless the Trustee shall thereafter fail or refuse to exercise the powers thereinbefore granted, or to institute such action, suit, or proceeding in its own name; and such notification, request, and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy thereunder; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of the Indenture by his, her, its, or their action, or to enforce any right thereunder except in the manner therein provided and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner therein provided and for the equal benefit of the Owners of all Bonds then Outstanding.

Supplemental Indentures Not Requiring Consent. Subject to the provisions of this section of the Indenture, District No. 3 and the Trustee may, without the consent of or notice to the Owners or Consent Parties, enter into such indentures supplemental thereto, which supplemental indentures shall thereafter form a part thereof, for any one or more of the following purposes:

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

Supplemental Indentures Requiring Consent. Except for supplemental indentures delivered pursuant to the Indenture, and subject to the provisions of this section of the Indenture, the Consent Parties with respect to not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by District No. 3 and the Trustee of such indenture or indentures supplemental thereto as shall be deemed necessary or desirable by District No. 3 for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided however, that without the consent of the Consent Parties with respect to all the Outstanding Bonds affected thereby, nothing therein contained shall permit, or be construed as permitting:

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

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

“*Consent Party*” means the Owner of a Bond or, if such Bond is held in the name of Cede, the Participant (as determined by a list provided by DTC) with respect to such Bond. District No. 3 may at its option determine whether the Owner or the Participant is the Consent Party with respect to any particular amendment or other matter under the Indenture.

Upon the execution of any supplemental indenture pursuant to the provisions of this section, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under the Indenture of District No. 3, the Trustee, and all Owners of Bonds then Outstanding shall thereafter be determined, exercised, and enforced thereunder, subject in all respects to such modifications and amendments.

If at any time District No. 3 shall request the Trustee to enter into such supplemental indenture for any of the purposes of this section, the Trustee shall, upon being satisfactorily indemnified with respect to fees and expenses, cause notice of the proposed execution of such supplemental indenture to be given to each Owner of a Bond at the address shown on the registration books of the Trustee, prior to the proposed date of execution and delivery of any such supplemental indenture. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Owners. If, within sixty (60) days or such longer period as shall be prescribed by District No. 3 following the giving of such notice, the Consent Parties with respect to not less than the required percentage in aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as therein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or District No. 3 from executing the same or from taking any action pursuant to the provisions thereof.

Discharge of the Lien of the Indenture. If District No. 3 shall pay or cause to be paid to the Trustee, for the Owners of the Bonds, the principal of, premium if any, and interest to become due thereon at the times and in the manner stipulated in the Indenture, and if District No. 3 shall keep, perform, and observe all and singular the covenants and promises in the Bonds and in the Indenture expressed to be kept, performed, and observed by it or on its part, and if all fees and expenses of the Trustee required by the Indenture to be paid shall have been paid, then these presents and the estate and rights hereby granted shall cease, determine, and be void, and thereupon the Trustee shall cancel and discharge the lien of the Indenture, and execute and deliver to District No. 3 such instruments in writing as shall be requisite to satisfy the lien thereof, and assign and deliver to District No. 3 any property at the time subject to the lien of the Indenture which may then be in its possession, and deliver any amounts required to be paid to District No. 3 under the Indenture, except for moneys and Federal Securities held by the Trustee for the payment of the principal of, premium if any, and interest on the Bonds.

Any Bond shall, prior to the maturity or prior redemption thereof, be deemed to have been paid within the meaning and with the effect expressed in this section of the Indenture if, for the purpose of paying such Bond (i) there shall have been deposited with the Trustee an amount sufficient, without investment, to pay the principal of, premium if any, and interest on such Bond as the same becomes due at maturity or upon one or more designated prior redemption dates, or (ii) there shall have been placed in escrow and in trust with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Federal Securities in which such amount may be invested) to pay the principal of, premium if any, and interest on such Bond, as the same becomes due at maturity or upon one or more designated prior redemption dates. The Federal Securities in any such escrow shall not be subject

to redemption or prepayment at the option of the issuer, and shall become due at or prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between District No. 3 and such bank at the time of the creation of the escrow, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. The sufficiency of any such escrow funded with Federal Securities shall be determined by a Certified Public Accountant.

“*Certified Public Accountant*” means an independent certified public accountant within the meaning of §12-2-115, C.R.S., and any amendment thereto, licensed to practice in the State of Colorado.

“*Federal Securities*” means direct obligations of (including obligations issued or held in book entry form on the books of), or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

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

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Debt Service Requirements

Set forth in the following table are the debt service requirements for the Bonds, the Series 2014 Bonds and District No. 1's Series 2010 Bonds (secured by ad valorem property taxes of the Financing Districts on a parity with the Bonds). See "DEBT STRUCTURE—General Obligation Debt."

TABLE I
Debt Service Requirements ¹

Year	The Bonds		Series 2010 Bonds ²	Series 2014 Bonds	Annual Total
	Principal	Interest			
2017	\$ 150,000	\$ 578,661	\$ 658,775	\$ 569,494	\$ 1,956,930
2018	160,000	608,200	664,063	564,244	1,996,507
2019	170,000	601,800	673,625	553,994	1,999,419
2020	175,000	595,000	677,100	552,194	1,999,294
2021	180,000	588,000	684,850	545,194	1,998,044
2022	190,000	579,000	691,513	538,194	1,998,707
2023	200,000	569,500	697,088	531,194	1,997,782
2024	210,000	559,500	706,575	524,194	2,000,269
2025	215,000	549,000	714,613	517,194	1,995,807
2026	230,000	538,250	721,200	510,194	1,999,644
2027	240,000	526,750	726,338	503,194	1,996,282
2028	255,000	514,750	735,025	496,193	2,000,968
2029	265,000	502,000	741,900	488,975	1,997,875
2030	280,000	488,750	746,963	481,756	1,997,469
2031	295,000	474,750	755,213	474,537	1,999,500
2032	310,000	460,000	761,288	467,100	1,998,388
2033	325,000	444,500	770,188	459,662	1,999,350
2034	340,000	428,250	781,550	447,225	1,997,025
2035	355,000	411,250	785,013	445,000	1,996,263
2036	380,000	393,500	795,938	431,250	2,000,688
2037	395,000	374,500	803,600	427,750	2,000,850
2038	415,000	354,750	808,000	419,000	1,996,750
2039	435,000	334,000	819,138	410,250	1,998,388
2040	460,000	312,250	827,150	401,500	2,000,900
2041	480,000	289,250	--	1,227,750	1,997,000
2042	505,000	265,250	--	1,227,250	1,997,500
2043	530,000	240,000	--	1,229,250	1,999,250
2044	555,000	213,500	--	1,228,500	1,997,000
2045	1,810,000	185,750	--	--	1,995,750
2046	<u>1,905,000</u>	<u>95,250</u>	<u>--</u>	<u>--</u>	<u>2,000,250</u>
Total	<u>\$12,415,000</u>	<u>\$13,075,911</u>	<u>\$17,746,706</u>	<u>\$16,672,232</u>	<u>\$59,909,849</u>

¹ Assumes no redemptions, other than mandatory sinking fund redemptions, prior to maturity. Figures have been rounded and may differ from actual debt service payments.

² Includes principal of and interest thereon for District No. 1's Tax-Supported Revenue Refunding Bonds, Series 2010, and the Series 2014 Bonds secured by ad valorem property taxes of the Financing Districts on a parity with the Bonds. See "THE BONDS—Security for the Bonds."

Source: The Underwriter

Debt Service Coverage

The Bonds will be secured by the Pledged Revenue on parity with District No. 1's Series 2010 Bonds, the Series 2014 Bonds and any other Parity Bonds. See "THE BONDS—Security for the Bonds." In accordance with the 2010 Indenture and the 2014 Indenture, issuance of the Bonds requires, among satisfaction of other conditions, that the certified assessed valuation of all taxable property in the Financing Districts for each of the prior two years as of the date of the final certification equals an amount that will permit the Financing Districts to levy and collect Pledged Revenue in subsequent years assuming 100% collection that will total at least one and twenty-five hundredths (1.25x) times the Maximum Annual Debt Service on all Outstanding Bonds and Parity Bonds and the Additional Bonds proposed to be issued. The Districts may use a rate of levy for Property Taxes of up to 50 mills for purposes of determining the ratio. The aggregate final certified assessed valuation of the Financing Districts in 2015 (for collection in 2016) was \$47,464,192. The aggregate final certified assessed valuation of the Financing Districts in 2016 (for collection in 2017) is \$49,613,643. The Underwriter has calculated that the foregoing 2015 and 2016 aggregate certified assessed valuation would produce Pledged Revenue (assuming a Required Mill Levy of 50 mills and an estimate of Specific Ownership Tax) of \$2,501,244 and \$2,614,515, respectively, which would result in debt service coverage for Maximum Annual Debt Service on the Bonds, the Series 2014 Bonds and the Series 2010 Bonds of 1.25x and approximately 1.31x, respectively. See "RISK FACTORS—Risk of Reductions in Assessed Value; Market Value of Land." The Financing Districts certified in 2015 (for collection in 2016) debt service mill levies of 40 mills. See "FINANCIAL INFORMATION OF THE DISTRICTS."

Pursuant to the Indenture, the Districts may issue additional Parity Bonds (secured by the Pledged Revenue on a parity with the Bonds, the Series 2014 Bonds and the Series 2010 Bonds), upon satisfaction of certain conditions, as more particularly described in "—Certain Indenture Provisions—*Additional Obligations*" above.

THE DISTRICTS

As used herein, "Districts" refers to Fossil Ridge Metropolitan Districts No. 1 – 3 collectively, "Financing Districts" refers to Fossil Ridge Metropolitan Districts Nos. 2 and 3 collectively, and "District No. 3" refers to Fossil Ridge Metropolitan District No. 3. Only the Financing Districts are obligated to impose the Required Mill Levy for payment of the Bonds in accordance with the Indenture and the 2014 Funding Agreement.

Organization and Description

Each of the Districts is a quasi-municipal corporation and political subdivision of the State created pursuant to the Special District Act set forth in Title 32, Article 1, C.R.S., for the purpose of financing and constructing public improvements and for dedicating, when appropriate, such public improvements to such other entity as appropriate for the use and benefit of the Districts' property owners. The creation of each of the Districts was ordered by the Jefferson County District Court after the approval by the proposed Districts' electors at an election held for that purpose on November 7, 2006.

The Districts currently encompass approximately 324.599 acres, with substantially all such property coterminous with the boundaries of the Financing Districts which includes the property in the Development, as more particularly described in "THE DEVELOPMENT." See "—District Powers—*Inclusions and Exclusions*" below.

Multiple District Structure; Master IGA

Generally. Pursuant to the Service Plan, the Districts are to work in tandem to provide the Public Improvements necessary to serve the Districts. See “—Facilities and Services Provided by the Financing Districts” below. The Service Plan provides that District No. 1 is to serve as the “Service District,” generally responsible for administering and managing the construction and operation of the Public Improvements, while District Nos. 2 and 3 are to serve as the “Financing Districts,” generally responsible for producing property tax and other revenue sufficient to pay the costs of operations and debt service expenses incurred for such Public Improvements. Any District is authorized under the Service Plan to issue debt for the purpose of funding Public Improvements. The Service Plan states that the multiple district structure is expected to provide several benefits to residents of the Development and the City and, in particular, will assure that: (a) the coordinated administration of construction and operation of public improvements; (b) maintenance of reasonably uniform mill levies and reasonable tax burdens in all areas of the Districts through the controlled management of financing and operation of public improvements; and (c) assured compliance with State laws regarding taxation in a manner which permits the issuance of tax exempt debt at the most favorable interest rates possible.

Master IGA. In furtherance of the Service Plan, the Districts entered into a Master Intergovernmental District Facilities Construction and Service Agreement dated as of January 8, 2008 (the “Master IGA”), for the purpose of setting forth the rights and obligations of the Districts with respect to the provision of the Public Improvements. Pursuant to the Master IGA, District No. 1 is to own (except as the same may be required to be dedicated to the City or other governmental entity), operate, maintain, and construct or coordinate the construction, acquisition, installation, financing, funding and reimbursement of expenditures related to the Public Improvements benefiting the Districts. In accordance with the Master IGA, the Financing Districts are to fully fund the costs relating to the construction, operation and maintenance of the Public Improvements (as more particularly defined therein, the “Capital Costs”) and all costs incurred by District No. 1 in performance of its operation, maintenance management and administrative services under the Master IGA (as more particularly defined therein, the “Service Costs”), subject to the limitations therein.

The Master IGA provides that the Financing Districts are to impose ad valorem property taxes for the payment of such Capital Costs and Service Costs, subject to the limitations therein (including any applicable Service Plan limits) and also are to pay to District No. 1 the net proceeds of any bonds issued by the Financing Districts for application to Capital Costs. Pursuant to the Master IGA, in the event that the Financing Districts issue General Obligation Debt (as defined therein, including, with respect to District No. 3, the Bonds, the 2014 Bonds, and the 2010 Funding Agreement, and with respect to District No. 2, the 2010 Funding Agreement and the 2014 Funding Agreement), the Financing Districts’ obligations to pay Capital Costs and Service Costs are limited to the net revenue available after payment of amounts due on an annual basis are paid with respect to such General Obligation Debt. Furthermore, the Master IGA states that any obligation under the Master IGA is fully subordinated, at all points in time, to any General Obligation Debt and any Revenue Debt (generally meaning financial obligations payable from revenues other than property taxes) of the Financing Districts.

The Master IGA also sets forth certain provisions pertaining to the process for the review of budgets, project plans and specifications, execution and prosecution of construction contracts, administrative management of the Districts, the establishment of user fees and transfer of funds between the Districts.

District Powers

The rights, powers, privileges, authorities, functions and duties of District No. 3 and the other Districts are established by the laws of the State, particularly Title 32, Article 1, C.R.S. (as previously defined, the “Special District Act”). The powers of the Districts are, however, limited both by the provisions of its Service Plan and its electoral authorization.

Generally, the Districts have the power to have a perpetual existence; to enter into contracts and agreements; to sue and be sued and to be a party to suits, actions and proceedings; to borrow money and incur indebtedness and to issue bonds; to acquire, dispose of and encumber real and personal property, and any interest therein; to have the management, control and supervision of all the business and affairs of the Districts and all construction, installation, operation, and maintenance of improvements; to appoint, hire and retain agents, employees, engineers and attorneys; to fix and from time to time to increase or decrease fees, rates, tolls, penalties or charges for services, programs, or facilities furnished by the District; to furnish services and facilities within and without the boundaries of the Districts and to establish fees, rates, tolls, penalties or charges for such services and facilities; to accept real and personal property for use of the Districts and to accept gifts and conveyances made to the Districts; to adopt, amend and enforce bylaws and rules and regulations not in conflict with the Constitution of the State for carrying on the business, objects, and affairs of the Board; to enter into contracts with public utilities, cooperative electric associations, and municipalities for the purpose of providing street lighting service; and to have and exercise all rights and powers necessary in, incidental to or implied from the specific powers granted to the Districts. Subject to compliance with statutory procedures, the Board may order the inclusion or exclusion of real property to or from the Districts, as the case may be, thereby modifying the boundaries of any one or more of the Districts; however, any property excluded from the Districts subsequent to the issuance of the Bonds is obligated to the same extent as all other property within the Districts for the payment of the Bonds.

Inclusions and Exclusions. Subject to compliance with statutory procedures, the Board may order the inclusion or exclusion of real property to or from the Districts, as the case may be, thereby modifying the boundaries of the Districts. Such included or excluded property is obligated to the same extent as all other property within the Districts for the payment of then outstanding Districts indebtedness and subsequent refundings thereof, notwithstanding the exclusion. Boundary changes resulting from property included or excluded to or from a District prior to the first day of May of each year are reflected in such District’s assessed valuation and are subject to the ad valorem property tax levy of the District for that assessment year. Inclusions or exclusions that occur after May 1 are considered in the following assessment year.

When created, the Districts originally encompassed approximately 308.440 acres, approximately 195.130 acres of which comprised District No. 3, approximately 112.300 acres of which comprised District No. 2 and approximately 1.010 acres of which comprised District No. 1. Following subsequent orders of inclusions and exclusions, the Districts currently encompass approximately 324.599 acres, approximately 177.685 acres of which comprise District No. 3, approximately 146.914 acres of which comprise District No. 2 and approximately 10 square feet of which comprise District No. 1.

There are no additional inclusions or exclusions anticipated affecting the Districts.

Governing Board

Each of the Districts is governed by a board of directors pursuant to state law (collectively, the “Boards”). The members must be electors of each applicable District, as defined by state law, and are elected to alternating four year terms of office at successive biennial elections. Vacancies on the Boards

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.

Directors can receive a maximum compensation of \$1,600 per year, not to exceed \$100 per meeting attended. Directors are not compensated for meeting attendance. Pursuant to statute, with certain exceptions, no nonjudicial elected official of any political subdivision of the State can serve more than two consecutive terms in office; however, such term limitation may be lengthened, shortened or eliminated pursuant to voter approval. Voters in the Districts have voted to waive the statutory term limits, and therefore District directors are not subject to such limitations. The present directors, their positions, principal occupations and terms of office for the directors of the Financing Districts are as follows.

Financing Districts Boards of Directors

Name	Office	Principal Occupation	Years of Service on Board	Term Expires (May)
<i>District No. 2</i>				
Marc Savela	President	Senior Director – Land Development ¹	2.5	2020
Tom Waterman	Vice President	Independent Consultant	1.5 ²	2018
Ashley Taruffelli	Secretary/Treasurer	Vice President - Finance ¹	2.5	2018
Neil Simpson	Assistant Secretary	Accounting Manager ¹	0.5	2018
Kathleen Kelly	Assistant Secretary	President, Precision Medical Co.	0.5	2020
<i>District No. 3</i>				
Marc Savela	President	Senior Director – Land Development ¹	2.5	2020
Jeffrey Becker	Vice President	Attorney	0.5	2018
Neil Simpson	Assistant Secretary	Accounting Manager ¹	0.5	2018
Ashley Taruffelli	Secretary/Treasurer	Vice President - Finance ¹	2.5	2018
John Corbett	Assistant Secretary	Business Development Specialist	-- ³	2020

¹ Reflects the Board member’s position with the Developer.

² Appointed on March 10, 2015 to fill a vacancy.

³ Appointed on August 30, 2016 to fill a vacancy.

Pursuant to State law, directors are required to disclose to the Colorado Secretary of State and the Board potential conflicts of interest or personal or private interests which are proposed or pending before the Board. According to disclosure statements filed with the Secretary of State and the Districts by Board members prior to taking any official action relating to this Official Statement or amendments to the Indenture and the Funding Agreements undertaken as a result of the proposed re-offering of the Bonds as described herein, Mr. Savela, Ms. Taruffelli and Mr. Simpson have disclosed their potential or existing personal or private interests relating to the same due to their relationships with the Developer and current Owners of the Bonds, because they are one or more of the following: an owner or principal in the Developer, an employee of the Developer, or an owner or employee of an affiliate of the Developer.

Administration

The Boards are responsible for the overall management and administration of the affairs of the Districts. The Districts have no employees. The Districts retains White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, as General Counsel; Simmons & Wheeler, P.C., Centennial, Colorado as their accountant; L. Paul Goedecke, P.C., Certified Public Accountants,

Lakewood, Colorado as their auditor and Overlook Property Management, Centennial, Colorado as their manager.

Facilities and Services Provided by the Financing Districts

As set forth in the Service Plan, the Districts are authorized to construct Public Improvements including, but not limited to, water, streets, traffic and safety controls, park and recreation, sanitation, mosquito and pest control, security, and covenant control improvements and facilities within their boundaries. The Service District (District No. 1) is responsible for managing the construction and operation of the Public Improvements and services needed to serve the Development and the Financing Districts are responsible for funding the costs of the same in accordance with the Master IGA. See “—Multiple District Structure; Master IGA” above.

District No. 1 presently owns, operates and maintains the Fossil Ridge Sewer System (as more particularly described in “—Material Agreements of the Districts—*Intergovernmental Agreements Concerning Sewer System*” below) and certain landscaping and entry monuments. District No. 1 also owns and manages The Retreat community area, as more particularly described in “—Development Within the Districts” below.

Services Provided by other Governmental Entities. Residents of the Districts are provided a wide range of services by various entities other than the Districts. The Development receives police protection from the City and fire protection is provided by West Metro Fire Protection District. Natural gas service is provided by Xcel Energy (if available) and electrical service is provided by Xcel Energy. The Development receives water service from Consolidated Mutual Water and sewer service from Green Mountain Water and Sanitation District.

Development Within the Districts

The Solterra Development. The Development is a residential community (comprising approximately 324.599 acres) and is located in the City approximately a quarter mile east of State Highway C-470 and south of Alameda Parkway. The property within the Financing Districts contains approximately 1,325 platted single family and multi-family lots. As of September 30, 2016, 1,046 lots, or 78.9% of the platted lots, had been sold to homebuilders, and 291 lots remained for sale by the Developer. Of the 1,046 lots which have been sold to homebuilders, approximately 870 homes have been completed and were occupied by homeowners (65.7% of the total platted lots). The remaining 176 lots owned by homebuilders are either for sale or are held by the homebuilders in inventory. Homebuilders currently active in the District include Cardel, Infinity, and Brookfield Residential. The Development also includes “The Retreat,” a community area comprised of an infinity edge pool, fitness area for professionally-taught classes, several patio areas, an outdoor fireplace, amphitheater and a clubhouse (including a large entertaining room and kitchen area with full appliances, bar and dining room). The Retreat is owned and managed by District No. 1.

Since 2006, development within the Financing Districts has been undertaken by Solterra LLC (f/k/a Carma Lakewood, LLC), a Colorado limited liability company (as previously defined, the “Developer”), which is wholly owned by Brookfield Residential Properties, Inc. (“BRPI”). A brief description of BRPI follows.

BRPI. BRPI is a wholly-owned subsidiary of Brookfield Asset Management Inc. and has been developing land and building homes for over 50 years. BRPI was previously a publicly traded company listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol “BRP.” On March 13, 2015, Brookfield Asset Management Inc. and BRPI completed the closing of a privatization

transaction of BRPI, pursuant to which 1927726 Ontario Inc., a wholly-owned subsidiary of Brookfield Asset Management Inc., acquired all of the issued and outstanding Common Shares of BRPI that Brookfield Asset Management Inc. did not already own by way of a plan of arrangement.

BRPI is a leading North American homebuilder and land developer with operations in Canada and the United States with operating segments in Alberta (Calgary and Edmonton), Ontario (Toronto), Northern California (San Francisco Bay Area and Sacramento), Southern California (Los Angeles/Southland and San Diego/Riverside), Washington D.C. Area, Colorado (Denver), Texas (Austin), Arizona (Phoenix), and Hawaii. BRPI entitles and develops land and builds homes for its own communities, as well as sells lots to third-party builders. For the year ended December 31, 2015, BRPI had a total of 2,656 home closings, 2,760 lots sold to homebuilders and controlled 95,762 lots. As of December 31, 2015, BRPI had \$3.6 billion in assets (including \$2.7 billion in housing and land inventory), \$2.239 billion in debt and other liabilities and \$1.351 billion in equity. For a more complete description of BRPI, investors should seek additional information at www.brookfieldrp.com.

The information contained herein is not intended to be a comprehensive description of BRPI and its activities. For a more complete description of BRPI, investors should seek additional information from the Commission as described above, and from BRPI, at www.brookfieldrp.com. The contents of such website are not incorporated by reference into this Official Statement.

The feasibility of payment of the Bonds has been assessed by District No. 3 based solely on the existing aggregate assessed valuation of the Financing Districts without taking into account future development. No assurance is given as to the timing or anticipated valuation of any future development (if any) within the Financing Districts. This Official Statement does not purport to provide complete information material to the assessment of any future development within the Financing Districts and the Pledged Revenue that may result therefrom.

Material Agreements of the Districts

The Special District Act authorizes the Districts to enter into agreements and contracts affecting their affairs. According to the Districts' general counsel, neither of the Financing Districts is a party to any agreement which materially affects its financial status or operations, except for the Master IGA described in “—Multiple District Structure; Master IGA” above and the Funding Agreements described in “THE BONDS—Security for the Bonds—*Joint Funding Agreements.*” However, District No. 1 has entered into the following additional agreements described below which, as a result of the Master IGA, could impact the financial status or operations of the Financing Districts.

Reimbursement and Acquisition Agreement. In order to induce the provision of certain Public Improvements by the Developer, District No. 1 and the Developer entered into a Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement dated as of May 13, 2008 (the “Reimbursement and Acquisition Agreement”) to provide for District No. 1's reimbursement of amounts expended by the Developer on the District Eligible Costs (defined below), in amounts not to exceed \$91,000,000, as authorized by the Service Plan. “District Eligible Costs” include costs relating to the provision of Public Improvements, including but not limited to any costs relating to organizing the Districts, general administration, operations and maintenance, engineering, surveying, the costs of acquiring land necessary for the Public Improvements, and construction and/or acquisition of the Public Improvements. The Reimbursement and Acquisition Agreement contemplates that such District Eligible Costs may be paid by the Developer on behalf of District No. 1, funded directly to District No. 1 by the Developer, or may be payable as a result of District No. 1's acquisition of the related Public Improvements, and that District No. 1 will acquire Public Improvements constructed by the Developer, subject to a District engineer's certification of costs and other procedures set forth in the Reimbursement

and Acquisition Agreement. *The Developer is under no obligation to provide Public Improvements or advance funds to District No. 1 for District Eligible Costs.*

District No. 1 has agreed to repay, when due, together with interest thereon, any Repayment Obligations (defined below) owed under the Reimbursement and Acquisition Agreement from proceeds of bonds of the Financing Districts, if any, provided to District No. 1 pursuant to the terms of the Master IGA, net of any costs of issuance, underwriter discount, or reasonably required reserves of said bonds (the “Net Proceeds”), and, at District No. 1’s discretion, any other legally available revenues of District No. 1 (to include amounts available under the Master IGA); provided, however, that at such time as the Financing Districts have issued the maximum amount of bonds permitted to be issued in accordance with the Service Plan and the 2006 Election, and such Net Proceeds have been remitted to District No. 1 and paid to the Developer, any remaining Repayment Obligations are to be deemed contributions by the Developer to District No. 1, and District No. 1’s obligation to repay such amounts is to be discharged in its entirety, unless otherwise agreed by District No. 1 and permitted under the Service Plan and the 2006 Election. District No. 1’s obligation under the Reimbursement and Acquisition Agreement constitutes a multiple fiscal year obligation, for which District No. 1 has obtained electoral authorization. Repayment Obligations are to bear simple interest at a rate of 6.00% per annum. A “Repayment Obligation” will arise under the Reimbursement and Acquisition Agreement upon the Developer’s deposit of funds with District No. 1 or acceptance by District No. 1 of Public Improvements constructed by the Developer.

The District Eligible Costs payable by District No. 1 under the Reimbursement and Acquisition Agreement constitute Capital Costs and Service Costs payable by the Financing Districts in accordance with the Master IGA. See “—Multiple District Structure; Master IGA” above.

As of December 31, 2015, District No. 1’s reimbursement obligation for capital costs pursuant to the Reimbursement and Acquisition Agreement was approximately \$49,035,747 plus \$5,056,634 in accrued interest thereon (such amounts as reflected in District No. 1’s audit). As of October 31, 2016, District No. 1’s reimbursement obligation for capital costs pursuant to the Reimbursement and Acquisition Agreement was \$51,610,000.19 plus \$7,571,799.09 in accrued interest thereon (both such amounts unaudited). It is anticipated that approximately \$12,591,882.75 in net proceeds of the Bonds will be applied to such amounts. Such amounts consist solely of the actual construction cost of public improvements, as certified by an independent engineer.

In addition, as of December 31, 2015, District No. 1’s reimbursement obligation for administration and operations costs pursuant to the Reimbursement and Acquisition Agreement was approximately \$808,257 plus \$224,797 in accrued interest thereon (such amounts as reflected in District No. 1’s audit). As of October 31, 2016, District No. 1’s reimbursement obligation for administration and operations costs pursuant to the Reimbursement and Acquisition Agreement was \$811,197.38 plus \$265,444.26 in accrued interest thereon (both such amounts unaudited).

Intergovernmental Agreements Concerning Sewer System. District No. 1 and Green Mountain Water and Sanitation District (“Green Mountain”) entered in an Intergovernmental Agreement for Extra-Territorial Sewer Service dated January 15, 2008, as amended and restated by the Amended and Restated Intergovernmental Agreement for Extra-Territorial Sewer Service dated November 11, 2014 (as amended and restated, the “Sewer IGA”), pursuant to which District No. 1 is to collect wastewater from the Development and deliver the wastewater to Green Mountain for conveyance to the Metropolitan Denver Wastewater Reclamation District (“Metro”) for disposal. Green Mountain agrees to accept wastewater from District No. 1, which is collected from and generated within the Development and does not exceed 1,727 equivalent residential units (“EQRs”), pursuant to all of the terms contained therein. The service commitment by Green Mountain is subject to all restrictive provisions and conditions of the Special Connectors Agreement between Green Mountain and Metro. Green Mountain agrees to reserve sufficient

capacity in its Green Mountain Wastewater Collection System to accommodate 1,727 EQRs received from District No. 1 (the “Reserved Capacity”) for a period of fifteen (15) years from January 15, 2008, provided that District No. 1 is in compliance with the terms and conditions of the Sewer IGA.

As a condition to Green Mountain fulfilling such sewer service obligation, District No. 1 is to design and construct, or contract for the design and construction of a system of infrastructure, including sewer main lines, lift stations and monitoring stations, necessary to deliver wastewater from the Development to the Green Mountain Wastewater Collection System (the “Fossil Ridge Sewer System”), at its sole cost and expense and in accordance with all terms of the Sewer IGA and all rules and regulations and design standards, criteria and specifications of Green Mountain. The Sewer IGA also requires that District No. 1: (i) fund the upgrading or upsizing of certain public improvements and infrastructure of Green Mountain in order to accommodate the wastewater flow from the Development, subject to cost recovery of such amounts from the rebate by Green Mountain of a portion of certain system development fees otherwise payable by District No. 1 as described below, and (ii) oversize certain of the Fossil Ridge Sewer System facilities to accommodate identified future development areas located outside the Development; provided, however that, prior to the provision of service thereto, Green Mountain is to require owners of such future development areas to enter into agreements with District No. 1 providing for, among other things, equitable and proportionate cost recovery for District No. 1’s expense in oversizing the Fossil Ridge Sewer System. Pursuant to estimates of the Districts’ engineer, approximately 85% of the total improvements anticipated to be constructed by District No. 1 in accordance with the Sewer IGA have been completed to date.

Fees. Before connecting any new customer to the Fossil Ridge Sewer System, District No. 1 is to pay to Green Mountain the current system development fee (referred to as the Sewer SDF) as set by the Green Mountain Board of Directors, and the then-current system development fee imposed by Metro. The Metro fee is to be paid directly to the City. District No. 1 is also to pay quarterly, in advance: (i) Service Fees, comprised of a residential service fee and a commercial/multifamily service fee, to be separately calculated for residential and commercial/multi-family EQRs pursuant to a formula set forth in the Sewer IGA, and (ii) Operations Fees, calculated per EQR to equal the then-current in-district operations fee (bimonthly) multiplied by 1.25 multiplied by 1.5 (to convert from bimonthly to quarterly) multiplied by 0.36 (or other percentage deemed by Green Mountain to be the percentage of the operations fee attributable to sanitation services costs), both in accordance with rates set by Green Mountain. Finally, if any user within the Development is served by the Tamarisk Lift Station, District No. 1 is to pay for each EQR so served, a “Tamarisk Lift Station Surcharge” to Green Mountain on a quarterly basis, in advance, to cover the extra costs associated with operating, maintaining and replacing the Tamarisk Lift Station or its component parts or equipment. All such fees are imposed by the Districts on the owners of property located within their boundaries pursuant to a joint fee resolution adopted December 9, 2015. All such fees collected by the Districts are paid to Green Mountain in accordance with the Sewer IGA.

Maintenance. In furtherance of the Sewer IGA, District No. 1 and Green Mountain entered into an Intergovernmental Agreement for Maintenance and Repair of Sewer System dated as of September 19, 2008 (the “Sewer Maintenance IGA”). Pursuant to the Sewer Maintenance IGA, Green Mountain is to perform the maintenance and repair services for the Development’s sewer system and will charge a fee for such services pursuant to a rate schedule set forth therein.

Intergovernmental Agreement between the City and District No. 1. District No. 1 and the City entered into an Intergovernmental Agreement Relating to Maintenance dated April 22, 2008, as amended and restated on December 13, 2013 by that First Amended and Restated Intergovernmental Agreement Relating to Maintenance, and further amended by the First Addendum to First Amended and Restated Intergovernmental Agreement Relating to Maintenance dated September 12, 2016 (as amended and restated, the “City IGA”). Pursuant to the City IGA, due to the uniqueness of certain improvements in the

Development (as more particularly set forth therein), District No. 1 has agreed to perform certain of the maintenance functions normally performed by the City. District No. 1 is responsible for the costs of any such maintenance. The initial term of the City IGA was for one calendar year ending December 31, 2008, automatically renewing for successive one year periods unless a party notifies in writing the other party prior to November 1 of any year that it does not wish to renew. The City IGA remains in effect as of the date hereof.

FINANCIAL INFORMATION OF THE DISTRICTS

Ad Valorem Property Taxes

The Board has the power, subject to constitutional and statutory guidelines, to certify a levy for collection of ad valorem taxes against all taxable property of the District. Property taxes are uniformly levied against the assessed valuation of all taxable property of the District. The property subject to taxation, the assessment of such property, and the property tax procedure and collections are discussed below.

Property Tax Reduction for Senior Citizens and Disabled Veterans. On November 7, 2000 and November 7, 2006, respectively, the electors of the State approved Referendum A and Referendum E, constitutional amendments granting a property tax reduction to qualified senior citizens and qualified disabled veterans. Generally, the reduction (a) reduces property taxes for qualified senior citizens and qualified disabled veterans by exempting 50% of the first \$200,000 of actual value of residential property from property taxation; (b) requires that the State reimburse all local governments for any decrease in property tax revenue resulting from the reduction; and (c) excludes the State reimbursement to local governments from the revenue and spending limits established under Article X, Section 20 of the State Constitution.

Property Subject to Taxation. Both real and personal property located within the boundaries of the District, unless exempt, are subject to taxation by the District. Exempt property generally includes property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; charitable property; religious property; irrigation ditches, canals and flumes; household furnishings; personal effects; 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; agricultural equipment which is used on the farm or ranch in the production of agricultural products; and nonprofit cemeteries.

Assessment of Property. All taxable property is listed, appraised and valued for assessment as of January 1 of each year by the county assessor. The “actual” value, with certain exceptions, is determined by the county assessor annually based on a biennially recalculated “level of value” set on January 1 of each odd-numbered year. The “level of value” is ascertained for each two-year reassessment period from manuals and associated data prepared and published by the State property tax administrator for the eighteen-month period ending on the June 30 immediately prior to the beginning of each two-year reassessment period. For example, “actual” values for the 2015 levy/2016 collection year as well as the 2016 levy/2017 collection year are based on market data obtained from the period January 1, 2013–June 30, 2014. The “level of value” calculation does not change for even-numbered years. The classes of property the “actual” value of which is not determined by a level of value include oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals.

The assessed value of taxable property is then determined by multiplying the “actual” value (determined as described in the immediately preceding paragraph) times an assessment ratio. The assessment ratio of residential property changes from year to year based on a constitutionally mandated

requirement to keep the ratio of the assessed value of commercial property to residential property at the same level as it was in the property tax year commencing January 1, 1985 (the “Gallagher Amendment”). The Gallagher Amendment requires that statewide residential assessed values must be approximately 45% of the total assessed value in the State with commercial and other assessed values making up the other 55% of the assessed values in the State. In order to maintain this 45% to 55% ratio, the commercial assessment rate is established at 29% of the actual value of commercial property (including vacant land and undeveloped lots) and the residential assessment rate fluctuates. The residential ratio has remained 7.96% since the 2003 levy year.

The Colorado Legislative Council Staff’s “Focus Colorado: Economic and Revenue Forecast” dated December 21, 2015 (the “Forecast”), projects that the residential assessment ratio will decrease to 7.78% for the 2017 reassessment period.

Beginning in May of each year each county assessor hears taxpayers’ objections to property valuations, and the county board of equalization hears assessment appeals. The assessor is required to complete the assessment roll of all taxable property no later than August 25 each year. The abstract of assessment prepared therefrom is reviewed by the State property tax administrator. Assessments are also subject to review at various stages by the State board of equalization, the State board of assessment appeals and the State courts. Therefore, the District’s assessed valuation may be subject to modification as a result of the review of such entities. In the instance of the erroneous levy of taxes, an abatement or refund must be authorized by the board of county commissioners; and 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 following the year in which the taxes were levied. Refunded or abated taxes are prorated among all taxing jurisdictions which levied a tax against the property.

Taxation Procedure. The assessed valuation and statutory “actual” valuation of taxable property within the District are required to be certified by the county assessor to the District no later than August 25 of each year. Such value is subject to recertification by the county assessor prior to December 10 of each year. The Board then determines a rate of levy which, when levied upon such certified assessed valuation, and together with other legally available revenues, will raise the amount required annually by the District for its General Fund and Debt Service Fund to defray its expenditures during the ensuing fiscal year. In determining the rate of levy, the Board must take into consideration the limitations on certain increases in property tax revenues as described in “—Constitutional Amendment Limiting Taxes and Spending” and “—Budget and Appropriation Procedure” below. The Board must certify the District’s levy to the board of county commissioners no later than December 15 of each year.

Upon receipt of the tax levy certification of the District and other taxing entities within the county, the board of county commissioners levies against the assessed valuation of all taxable property within the county the applicable property taxes. Such levies are certified by the board of county commissioners to the county assessor, who thereupon delivers the tax list and warrant to the county treasurer for the collection of taxes.

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Taxes certified in 2016, for example, will be collected in 2017. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or two equal installments (not later than the last day of February and June 15) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of 1% per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16 of the collection year. The county treasurer collects current and delinquent property taxes, as well as any interest, penalties, and other requirements and remits the amounts collected on behalf of the District to the District on a monthly basis.

All taxes levied on real and personal property, together with any interest and penalties prescribed by law, as well as other costs of collection, until paid, constitute a perpetual lien on and against the taxed property. Such lien is on parity with the liens of other general taxes. It is the county treasurers' duty to enforce the collection of delinquent real property taxes by sale of the tax lien on such realty in December of the collection year and of delinquent personal property taxes by the distraint, seizure and sale of such property at any time after October 1 of the collection year. There can be no assurance, however, that the value of taxes, penalty interest and costs due on the property can be recovered by the county treasurer. Further, the treasurer may set a minimum total amount below which competitive bids will not be accepted, in which event property for which acceptable bids are not received will be set off to the county. Taxes on real and personal property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and cancelled by the board of county commissioners.

Ad Valorem Property Tax Data

The assessed valuation, debt service mill levies and property tax collections of the Financing District from 2011 to date are set forth in the following tables. See “—Ad Valorem Property Taxes—*Assessment of Property*” above for a description of the assessment ratios for taxable property used in each of such years. See “—Constitutional Amendment Limiting Taxes and Spending” below.

TABLE II
History of District No. 2's Assessed Valuation, Mill Levies and Property Tax Collections

Levy/Collection Year	Assessed Valuation	Percent Change	General Fund Mill Levy	Bond Fund Mill Levy	Taxes Levied	Taxes Collected¹
2011/2012	\$10,435,617	--	0.000	30.000	\$313,069	\$312,188
2012/2013	11,679,755	11.92%	0.000	30.000	350,393	350,391
2013/2014	13,648,409	16.86	0.000	30.000	409,452	409,450
2014/2015	15,615,700	14.41	5.000	35.000	624,628	624,626
2015/2016	20,546,882	31.57	0.000	40.000 ²	821,875	821,873 ³
2016/2017	21,055,483	2.47	5.000 ⁴	35.000 ⁴	842,219	--

¹ Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years.

² Includes 5.00 mills levied for payment to District No. 1 for operations as set forth in the Master IGA.

³ Property tax collections through September 30, 2016.

⁴ Preliminary budgeted mill levies subject to change prior to the certification date of December 15, 2016.

Sources: State of Colorado, Division of Property Taxation, Annual Reports, 2011-2015; Jefferson County Assessor's and Treasurer's Offices and District No. 2's audited financial statements for the year ended December 31, 2015

TABLE III
History of District No. 3's Assessed Valuation, Bond Mill Levy and Property Tax Collections

Levy/Collection Year	Assessed Valuation	Percent Change	General Fund Mill Levy	Bond Fund Mill Levy	Taxes Levied	Taxes Collected ¹
2011/2012	\$10,780,165	--	0.000	30.000	\$ 323,405	\$ 312,505
2012/2013	11,909,224	10.47%	0.000	30.000	357,277	357,089
2013/2014	15,585,624	30.87	0.000	30.000	467,569	467,097
2014/2015	15,998,305	2.65	5.000	35.000	639,932	639,809
2015/2016	26,917,310	68.25	0.000	40.000 ²	1,076,692	1,072,120 ³
2016/2017	28,558,160	6.09	5.000 ⁴	35.000 ⁴	--	--

¹ Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years.

² Includes 5.00 mills levied for payment to District No. 1 for operations as set forth in the Master IGA.

³ Property tax collections through September 30, 2016.

⁴ Preliminary budgeted mill levies subject to change prior to the certification date of December 15, 2016.

Sources: State of Colorado, Division of Property Taxation, Annual Reports, 2011-2016 Jefferson County Assessor's, Jefferson County Treasurer's Offices and District No. 3's audited financial statements for the year ended December 31, 2015

The following table sets forth the 2016 (for the 2017 tax collection year) certified assessed and "actual" valuations of specific classes of property within the Financing Districts.

TABLE IV
2016 Assessed and "Actual" Valuation of Classes of Property in District No. 2

Class	Assessed Valuation	Percent of Assessed Valuation	"Actual" Valuation	Percent of "Actual" Valuation
Residential	\$19,836,957	94.21%	\$249,207,892	98.34%
Vacant	1,152,545	5.47	3,974,281	1.57
Commercial	65,885	0.31	227,192	0.09
Natural Resources	<u>96</u>	<u>0.01</u>	<u>330</u>	<u>0.01</u>
Total	<u>\$21,055,483</u>	<u>100.00%</u>	<u>\$253,409,695</u>	<u>100.00%</u>

Source: Jefferson County Assessor's Office

TABLE V
2016 Assessed and "Actual" Valuation of Classes of Property in District No. 3

Class	Assessed Valuation	Percent of Assessed Valuation	"Actual" Valuation	Percent of "Actual" Valuation
Residential	\$22,493,939	78.76%	\$282,586,343	93.11%
Vacant	6,010,927	21.05	20,727,249	6.83
Commercial	51,409	0.18	177,273	0.06
State Assessed	<u>1,885</u>	<u>0.01</u>	<u>6,502</u>	<u>0.01</u>
Total	<u>\$28,558,160</u>	<u>100.00%</u>	<u>\$303,497,367</u>	<u>100.00%</u>

Source: Jefferson County Assessor's Office

Largest Taxpayers. The Developer is the largest taxpayer/property owner within the Financing Districts, owning properties with a 2016 assessed valuation of \$484,968 and \$1,693,197 in District No. 2 and District No. 3, respectively, totaling \$2,178,165, or approximately 4.39% of the total assessed valuation of the Financing Districts. The remaining property owners consist primarily of individual property/homeowners.

Overlapping Mill Levies

Numerous entities located wholly or partially within the Financing Districts are authorized to levy taxes on property located within the Financing Districts. According to the Jefferson County Assessor’s Office, there are currently eight entities overlapping all or a portion of the Districts. As a result, property owners within the Financing Districts may be subject to various mill levies depending upon the location of their property. The following table is representative of a sample total 2015 mill levy (for payment in 2016) attributable to taxpayers within the Financing Districts and is not intended to portray the mills levied against all properties within each Financing District. Additional taxing entities may overlap the Financing Districts in the future. See also “DEBT STRUCTURE—General Obligation Debt.”

TABLE VI
Sample Total 2015 Mill Levy ¹

Taxing Entity	Mill Levy
Jefferson County	24.212
Jefferson County School District No. R-1	47.487
Lakewood (City of)	2.031
Mount Carbon Metropolitan District (exclusion areas) ²	20.000
Regional Transportation District	0.000
Urban Drainage & Flood Control District	0.553
Urban Drainage & Flood Control South Platte	0.058
West Metro Fire Protection District	<u>13.550</u>
Sample Overlapping Mill Levy	107.891
The Financing Districts ³	<u>40.000</u>
Sample Total Mill Levy	<u>147.891</u>

¹ One mill equals 1/10 of one cent. Mill levies certified in 2015 are for the collection of ad valorem property taxes in 2016. Certified mill levies for 2015 (for collection in 2016) are not yet available from the County.

² In 1997, Mt. Carbon filed for protection under Chapter 9 of the U.S. Bankruptcy Court. In 2004, bonds were issued by Mt. Carbon (the “Mt. Carbon 2004 Bonds”) to consummate and effectuate the terms for Mt. Carbon’s Seventh Amended Plan for Adjustment of Debts. Subsequently, all property within the boundaries of the Districts was excluded from Mt. Carbon. However, all such property excluded from the boundaries is to continue to be subject to a mill levy of 20 mills for debt service for the payment of the Mt. Carbon 2004 Bonds, which obligation terminates upon the earlier of the payment in full of the Mt. Carbon 2004 Bonds or June 2, 2043.

³ The Financing Districts each imposed in 2015 (for collection in 2016) a debt service mill levy of 40 mills.

Source: Jefferson County Assessor’s Office

District Fees

Combined Fee Resolution. The Districts adopted a Joint Resolution concerning the Imposition of District fees, dated as of February 13, 2007, which was amended by that Amended and Restated Joint Resolution Concerning the Imposition of District Fees, dated March 10, 2009, and that Second Amended and Restated Joint Resolution Concerning the Imposition of District Fees, dated October 19, 2011

(collectively, the “Prior Fee Resolution”). On December 9, 2015, the Boards adopted the Third Amended and Restated Resolution of the Board of the District Concerning the Imposition of Districts’ Fees (the “Current Fee Resolution”) to amend and restate the Prior Fee Resolution in its entirety. Any fees, rates, tolls, penalties or charges due under the Prior Fee Resolution, to the extent outstanding and unpaid, remain in effect until fully paid and have not been eliminated. Pursuant to the Current Fee Resolution, and in furtherance of the Districts’ Service Plan, the Districts’ are authorized to impose the following fees. All fees imposed in accordance with the Current Fee Resolution are payable to District No. 1.

Development Fee. A one-time “Development Fee” was established to be imposed upon each lot for services provided in connection with the construction operation and maintenance of public facilities. The Development Fee is to be imposed at a rate established by the Districts from time to time pursuant to an annual schedule of fees and may be automatically increased by 5% rounded to the nearest \$25 on January 1 of each year commencing January 1, 2017 until no dwelling units remain to be constructed within the Districts. The current Development Fee is \$4,200 for a detached single family home, \$3,150 for a townhome or condominium and \$1,575 for a rental unit within an apartment building.

Storm Drainage Development Fee. A one-time “Storm Drainage Development Fee” was established to be imposed upon each lot for services provided in connection with the construction operation and maintenance of public facilities. The Storm Drainage Development Fee is to be imposed at a rate established by the Districts from time to time pursuant to an annual schedule of fees. The current Storm Drainage Development Fee is \$1,000 for a detached single family home, \$750 for a townhome or condominium and \$500 for a rental unit within an apartment building.

Operations Fee. An “Operations Fee” was established to be imposed upon each residential unit for services provided in connection with the construction operation and maintenance of public facilities within the legal boundaries of the Districts. The Operations Fee is to be imposed at a rate established by the Districts from time to time pursuant to an annual schedule of fees. The Operations Fee is first due and owing as of the earliest to occur of: (i) the date upon which a certificate of occupancy is issued; (ii) the date of transfer of a lot or residential unit from a homebuilder to a third-party buyer; or (iii) when the lot or residential unit is occupied for residential use. The current Operations Fee is \$756 per year.

Administrative and Set-Up Fees. The Current Fee Resolution also authorizes the District manager to charge an administrative set up fee in connection with all new accounts of the District. The current Administrative and Set-Up Fee is \$125/unit.

Landscape Fee and Set-Up Fee. Pursuant to the Current Fee Resolution a Landscape Fee is imposed for the costs associated with constructing and maintaining landscaping improvements within certain defined areas of the Districts upon each lot. The Landscape Fee is to be imposed at a rate established by the Districts from time to time pursuant to an annual schedule of fees. The Landscape Fee is first due and owing as of the earliest to occur of: (i) the date upon which a certificate of occupancy is issued; (ii) the date of transfer of a lot or residential unit from a homebuilder to a third-party buyer; or (iii) when the lot or residential unit is occupied for residential use. The current Landscape Fee is \$15/month/unit. In addition, a one-time Landscape Administrative Set-Up Fee of \$5/unit is assessed against each lot.

Maintenance Fee. A Maintenance Fee is established for the costs associated with maintaining landscaping and other improvements within certain defined areas of the Districts. The Maintenance Fee is to be imposed at a rate established by the Districts from time to time pursuant to an annual schedule of fees. The Maintenance Fee is first due and owing as of the earliest to occur of: (i) the date upon which a certificate of occupancy is issued; (ii) the date of transfer of a lot or residential unit from a homebuilder to

a third-party buyer; or (iii) when the lot or residential unit is occupied for residential use. The current Maintenance Fee is \$25/month/unit.

Amenity User Fee. District No. 1 collects amenity user fees pursuant to rental agreements for the reservation of portions of The Retreat for private parties and events. Rates vary based on the space and time periods reserved, and are subject to change. The Retreat, which is owned and operated by District No. 1, is comprised of an infinity edge pool, fitness area, several patio areas, an outdoor fireplace, amphitheater and a clubhouse.

Specific Ownership Tax

Specific ownership tax represents the amounts received by the Districts from the State pursuant to statute primarily on motor vehicle licensing. Such tax is collected by all counties and distributed to every taxing entity within a county, such as the Districts, in the proportion that the taxing entity's ad valorem taxes represents the cumulative amount of ad valorem taxes levied county-wide. All specific ownership taxes received by the Financing Districts are pledged to the payment of the Bonds, Parity Bonds or Subordinate Bonds (if any). However, the portions thereof not required to fund debt service on the Bonds, Parity Bonds or Subordinate Bonds, or necessary to fund surplus funds or reserve funds in accordance with the 2010 Indenture, the 2014 Indenture and the Indenture, are anticipated to be available to fund other costs of the Districts, in accordance with the application of Pledged Revenue provided in the 2010 Indenture, the 2014 Indenture and the Indenture, as more particularly described in "THE BONDS—Certain Indenture Provisions—*Flow of Funds.*"

Operational Mill Levy; Funding of Operations Costs

The Financing Districts are obligated to fund Service Costs of the Districts to the extent of available revenues in accordance with the Master IGA, as more particularly described in "THE DISTRICTS—Multiple District Structure; Master IGA—*Master IGA.*" Historically, the Financing Districts have not imposed a general fund mill levy but, rather, have funded all administrative and operating costs from the imposition of fees (described in "—District Fees" above) and, in some cases, Developer advances (see "THE DISTRICTS—Material Agreements of the Districts—*Reimbursement and Acquisition Agreement*"). In accordance with the 2016 budgets for the Financing Districts, the Financing Districts did not impose a general fund mill levy, with the majority of the General Fund budget anticipated to be funded from fees and excess specific ownership taxes.

Financial Statements and District Funds

The accounts of the Districts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

In accordance with Title 29, Article 1, Part 6, Colorado Revised Statutes, as amended, an annual audit is required to be made of the Districts' financial statements at the end of the fiscal year unless an exemption from audit has been granted by the State Auditor's Office. The audited financial statements must be filed with the Board within six months after the end of the fiscal year and with the State Auditor 30 days thereafter. Failure to comply with this requirement to file an audit report may result in the withholding of the Districts' property tax revenue by the County treasurer pending compliance.

The financial statements of the Districts for the fiscal year ended December 31, 2015 were audited by L. Paul Goedecke P.C., Certified Public Accountants, Lakewood, Colorado and are appended hereto as APPENDIX A.

Historical Financial Information. Set forth hereafter is a comparative statement of revenues, expenditures, and changes in fund balance for each of the Districts governmental funds, as applicable. Such information should be read together with the audited financial statements and accompanying notes appended hereto. Preceding years' audited financial statements may be obtained from the sources noted in "MISCELLANEOUS—Additional Information."

District No. 1 Historical Revenues, Expenditures, and Changes in Fund Balances.

District No. 1 maintains three governmental funds, a General Fund, a Debt Service Fund and a Capital Projects Fund. The General Fund is the general operating fund of the district and is used to account for all financial resources not accounted for and reported in another fund. The Debt Service Fund is used to account for all the financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs. The Capital Projects Fund is used to account for all the financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

TABLE VII
District No. 1-History of General Fund Revenues, Expenditures, and Changes in Fund Balances

	2011	2012	2013	2014	2015
Revenues					
Transfers from District No. 2	--	--	--	--	\$ 83,351
Transfers from District No. 3	--	--	--	--	85,468
Operational Fees	\$149,177	\$233,307	\$349,662	\$533,217	524,984
Sewer Service Fees	47,511	50,792	80,047	108,345	132,106
Sewer Operations Fees	4,836	16,238	24,239	39,786	51,884
Sewer Administration Fees	--	5,022	11,064	14,964	18,564
Amenity User Fees	41,723	67,361	54,014	96,592	78,522
Miscellaneous	--	2,161	4,590	6,999	7,490
Total Revenues	<u>243,247</u>	<u>374,881</u>	<u>523,616</u>	<u>800,483</u>	<u>982,369</u>
Expenditures					
Property Management	16,779	24,240	27,254	37,318	48,431
Accounting and Audit	9,500	9,573	10,681	11,386	12,145
Insurance	19,758	24,379	28,152	28,820	31,414
Legal	7,031	6,330	11,079	11,405	10,679
Grounds	111,385	147,314	112,007	175,252	215,366
Retreat	114,764	165,590	172,703	172,069	218,436
Utilities	95,387	106,103	100,334	115,218	129,340
Sewer	43,028	74,321	117,523	174,653	205,338
Total Expenditures	<u>417,632</u>	<u>557,850</u>	<u>579,733</u>	<u>726,121</u>	<u>871,149</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(174,385)	(182,969)	(56,117)	74,362	111,220
Other Financing Sources (Uses)					
Developer Advances	80,107	211,025	62,463	150	571
Transfer from Capital Projects Fund	--	25,955	--	--	--
Total Other	<u>80,107</u>	<u>236,980</u>	<u>62,463</u>	<u>150</u>	<u>571</u>
Net Change in Fund Balance	(94,278)	54,011	6,346	74,512	111,791
Beginning Fund Balance	<u>95,845</u>	<u>1,567</u>	<u>55,578</u>	<u>61,924</u>	<u>136,436</u>
Ending Fund Balance	<u>\$ 1,567</u>	<u>\$ 55,578</u>	<u>\$ 61,924</u>	<u>\$136,436</u>	<u>\$248,227</u>

Source: District No. 1 Audited Financial Statements, 2011-2015

TABLE VIII
District No. 1-History of Debt Service Fund Revenues, Expenditures, and Changes in Fund Balances

	2011	2012	2013	2014	2015
Revenues					
Transfers from District No. 2	\$ 215,581	\$330,017	\$ 371,508	\$ 435,218	\$ 364,270
Transfers from District No. 3	240,054	330,593	378,241	495,888	373,815
Reimbursements	12,601	10	--	--	--
Investment Income	<u>129</u>	<u>133</u>	<u>132</u>	<u>157</u>	<u>198</u>
Total Revenues	<u>468,365</u>	<u>660,753</u>	<u>749,881</u>	<u>931,263</u>	<u>738,283</u>
Expenditures					
Bond Principal - 2010	--	--	25,000	35,000	45,000
Bond Interest - 2010	605,375	605,375	605,375	603,563	601,025
Trustee/Paying Agent Fees	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>
Total Expenditures	<u>607,375</u>	<u>607,375</u>	<u>632,375</u>	<u>640,563</u>	<u>648,025</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(139,010)	53,378	117,506	290,700	90,258
Net Change in Fund Balance	(139,010)	53,378	117,506	290,700	90,258
Beginning Fund Balance	<u>1,077,966</u>	<u>938,956</u>	<u>992,334</u>	<u>1,109,840</u>	<u>1,400,540</u>
Ending Fund Balance	<u>\$ 938,956</u>	<u>\$992,334</u>	<u>\$1,109,840</u>	<u>\$1,400,540</u>	<u>\$1,490,798</u>

Source: District No. 1 Audited Financial Statements, 2011-2015

TABLE IX
**District No. 1-History of Capital Projects Fund Revenues,
Expenditures, and Changes in Fund Balances**

	2011	2012	2013	2014	2015
Revenues					
System Development Fees	\$360,000	\$ 532,000	\$ 716,000	\$ 708,800	\$ 572,250
Storm Drainage Fees	90,000	133,000	179,000	169,000	136,250
Sewer Fees	23,490	34,713	46,719	44,631	37,062
Transfer from District No. 3	--	--	--	8,853,965	--
Reimbursements	3,298	2,348	--	--	--
Interest Income	<u>24</u>	<u>10</u>	<u>20</u>	<u>16</u>	<u>3,481</u>
Total Revenues	<u>476,812</u>	<u>702,071</u>	<u>941,739</u>	<u>9,776,412</u>	<u>749,043</u>
Expenditures					
Accounting and Audit	8,001	8,291	12,726	15,544	18,581
Legal	27,654	15,649	40,277	47,395	45,103
Miscellaneous	--	10,192	--	--	7,352
Capital Improvements	791,422	1,249,537	2,529,964	6,291,788	7,201,395
Reimburse Developer Advances	--	<u>2,184</u>	<u>11,458</u>	<u>8,853,965</u>	--
Total Expenditures	<u>827,077</u>	<u>1,285,853</u>	<u>2,594,425</u>	<u>15,208,692</u>	<u>7,272,431</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(350,265)	(583,782)	(1,652,686)	(5,432,280)	(6,523,388)
Other Financing Sources (Uses)					
Developer Advances	350,265	609,737	1,672,686	5,432,280	6,589,586
Transfer to General Fund	--	<u>(25,955)</u>	--	--	--
Total Other	<u>350,265</u>	<u>583,782</u>	<u>1,672,686</u>	<u>5,432,280</u>	<u>6,589,586</u>
Net Change in Fund Balance	--	--	20,000	--	66,198
Beginning Fund Balance	--	--	--	<u>20,000</u>	<u>20,000</u>
Ending Fund Balance	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 86,198</u>

Source: District No. 1 Audited Financial Statements, 2011-2015

District No. 2 Historical Revenues, Expenditures, and Changes in Fund Balances.

Over the past five-year period District No. 2 utilized a Debt Service Fund over the period shown and a General Fund for 2015, as set forth hereafter. District No. 2 does not have a Capital Projects Fund.

**TABLE X
District No. 2-History of General Fund Revenues,
Expenditures, and Changes in Fund Balances**

	2015
Revenues	
Property Taxes	\$78,078
Specific Ownership Tax	6,380
Interest Income	<u>20</u>
Total Revenues	<u>84,478</u>
Expenditures	
Transfer to District No. 1	83,351
Treasurers' Fees	<u>1,127</u>
Total Expenditures	<u>84,478</u>
Net Change in Fund Balance	--
Beginning Fund Balance	<u> --</u>
Ending Fund Balance	<u>\$ --</u>

Source: District No. 2 Audited Financial Statements, 2011-2015.

**TABLE XI
District No. 2-History of Debt Service Fund Revenues,
Expenditures, and Changes in Fund Balances**

	2011	2012	2013	2014	2015
Revenues					
Property Taxes	\$204,065	\$312,188	\$350,391	\$409,450	\$546,548
Specific Ownership Tax	14,412	22,264	25,971	31,846	44,663
Interest Income	<u>167</u>	<u>252</u>	<u>408</u>	<u>64</u>	<u>139</u>
Total Revenues	<u>218,644</u>	<u>334,704</u>	<u>376,770</u>	<u>441,360</u>	<u>591,350</u>
Expenditures					
Transfer to District No. 1	215,581	330,017	371,508	435,218	364,270
Transfer to District No. 3	--	--	--	--	219,187
Treasurers' Fees	<u>3,063</u>	<u>4,687</u>	<u>5,262</u>	<u>6,142</u>	<u>7,893</u>
Total Expenditures	<u>218,644</u>	<u>334,704</u>	<u>376,770</u>	<u>441,360</u>	<u>591,350</u>
Net Change in Fund Balance	--	--	--	--	--
Beginning Fund Balance	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Ending Fund Balance	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Source: District No. 2 Audited Financial Statements, 2011-2015.

District No. 3 Historical Revenues, Expenditures, and Changes in Fund Balances.

District No. 3 utilized a Debt Service Fund over the period shown, a General Fund in 2015 and a Capital Projects Fund in 2014 as set forth hereafter.

**TABLE XII
District No. 3-History of General Fund Revenues,
Expenditures, and Changes in Fund Balances**

	2015
Revenues	
Property Taxes	\$79,976
Specific Ownership Tax	6,640
Interest Income	<u>52</u>
Total Revenues	<u>86,668</u>
Expenditures	
Transfer to District No. 1	85,468
Treasurers' Fees	<u>1,200</u>
Total Expenditures	<u>86,668</u>
Net Change in Fund Balance	--
Beginning Fund Balance	<u>--</u>
Ending Fund Balance	<u>\$ --</u>

Source: District No. 3 Audited Financial Statements, 2014 and 2015

**TABLE XIII
District No. 3-History of Debt Service Fund Revenues,
Expenditures, and Changes in Fund Balances**

	2011	2012	2013	2014	2015
Revenues					
Property Taxes	\$227,276	\$312,505	\$357,089	\$467,097	\$559,833
Specific Ownership Tax	16,214	22,737	26,480	35,745	46,484
Transfer from District No. 2	--	--	--	--	219,187
Interest Income	<u>--</u>	<u>39</u>	<u>29</u>	<u>46</u>	<u>385</u>
Total Revenues	<u>243,490</u>	<u>335,281</u>	<u>383,598</u>	<u>502,888</u>	<u>825,889</u>
Expenditures					
Transfer to District No. 1	240,054	330,593	378,241	495,888	373,815
Treasurers' Fees	3,409	4,688	5,357	7,000	8,403
Bond Interest – Series 2014	--	--	--	--	376,425
Miscellaneous Expenses	<u>27</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Expenditures	<u>243,490</u>	<u>335,281</u>	<u>383,598</u>	<u>502,888</u>	<u>758,643</u>
Other Financing Sources (Uses)					
Transfer from Capital Projects	--	--	--	15,096	67,246
Net Change in Fund Balance	--	--	--	15,096	--
Beginning Fund Balance	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>15,096</u>
Ending Fund Balance	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 15,096</u>	<u>\$ 82,342</u>

Source: District No. 3 Audited Financial Statements, 2011-2015

TABLE XIV
District No. 3-History of Capital Projects Fund Revenues,
Expenditures, and Changes in Fund Balances ¹

	2014
Revenues	
Total Revenues	\$ _____
Expenditures	
Total Expenditures	_____
Other Financing Sources (Uses)	
Bond proceeds	8,715,000
Bond premium	418,902
Bond issuance costs	(264,841)
Transfer to District No. 1	(8,853,965)
Transfer to Debt Service Fund	(15,096)
Total Other Financing Sources (Uses)	_____
Net Change in Fund Balance	--
Beginning Fund Balance	_____
Ending Fund Balance	\$ _____

¹ District No. 3 utilized a Capital Projects Fund only for the 2014 fiscal year.

Source: District No. 3 Audited Financial Statements, 2014 and 2015

Budget and Appropriation Procedure

The Districts' budgets are prepared on a calendar year basis as required by Title 29, Article 1, Part 1, C.R.S. The budgets must present a complete financial plan for each District, setting forth all estimated expenditures, revenues, and other financing sources for the ensuing budget year, together with the corresponding figures for the previous fiscal year.

On or before October 15 of each year, the Districts' budget officer must submit a proposed budget to the Board for the next fiscal year. Thereupon notice must be published stating, among other things, that the proposed budget is open for inspection by the public and that interested electors may file or register any objection to the budget prior to its adoption.

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

As available for each District, set forth hereafter is a comparison of each Districts' 2017 and 2016 budgets for the General Fund, Debt Service Fund and Capital Projects Fund, as compared to the 2016 year-to-date unaudited actual figures.

District No. 1 Budget Summary and Comparisons.

TABLE XV
District No. 1 – General Fund
Budget Summary and Comparison

	2017 Budget (adopted)	2016 Budget (adopted)	2016 Actual (unaudited) ¹
Revenues			
Operational Fees	\$ 860,000	\$ 680,400	\$463,992
Sewer Service Fees	210,000	188,568	116,809
Sewer Operations Fees	69,000	61,511	49,982
Sewer Administration Fees	24,000	21,600	16,530
Landscape fee	--	18,000	--
Maintenance fee	20,520	3,600	--
Amenity User Fees	65,000	55,000	45,928
Transfer from District No. 2	112,150	109,412	107,404
Transfer from District No. 3	152,122	143,335	140,120
Transfer from Capital Projects Fund	250,000	100,000	--
Miscellaneous	<u>500</u>	<u>274</u>	<u>15,646</u>
Total Revenues	<u>1,763,292</u>	<u>1,381,700</u>	<u>956,411</u>
Expenditures			
Accounting	10,000	20,000	4,166
Audit	10,000	10,000	7,500
Legal	20,000	50,000	13,566
Insurance	65,000	48,000	38,494
Office Administrative	12,000	9,000	--
Property Management	48,000	39,600	38,709
Website	5,000	8,000	--
Miscellaneous	--	--	2,918
Grounds	654,820	337,300	344,041
Retreat	419,060	309,381	172,380
Sewer Operations	343,000	311,679	184,721
Utilities	214,000	155,719	140,420
Reserves	191,000	21,600	--
Contingency	8,030	22,461	--
Emergency Reserve	<u>54,026</u>	<u>38,960</u>	<u>--</u>
Total Expenditures	<u>2,053,936</u>	<u>1,381,700</u>	<u>946,915</u>
Net Change in Fund Balance	(290,644)	--	9,496
Beginning Fund Balance	<u>290,644</u>	<u>--</u>	<u>248,229</u>
Ending Fund Balance	<u>\$ --</u>	<u>\$ --</u>	<u>\$257,725</u>

¹ Unaudited actual figures through September 30, 2016. These are the most recent figures available.
Source: District No. 1's proposed 2017 budget, 2016 Budget and District No. 1

TABLE XVI
District No. 1 – Debt Service Fund
Budget Summary and Comparison

	2017 Budget (adopted)	2016 Budget (adopted)	2016 Actual (unaudited) ¹
Revenues			
Transfer from District No. 2	\$ 256,922	\$ 405,194	\$ 399,544
Transfer from District No. 3	349,621	532,584	521,247
Interest Income	<u>150</u>	<u>137</u>	<u>172</u>
Total Revenues	<u>606,693</u>	<u>937,915</u>	<u>920,963</u>
Expenditures			
Bond Interest -2010	593,775	597,762	298,881
Bond Principal -2010	65,000	55,000	--
Miscellaneous expense	2,000	2,238	--
Trustee/Paying Agent Fees	<u>5,000</u>	<u>5,000</u>	<u>2,500</u>
Total Expenditures	<u>665,775</u>	<u>660,000</u>	<u>301,381</u>
Net Change in Fund Balance	(59,082)	277,915	619,582
Beginning Fund Balance	<u>1,770,922</u>	<u>1,471,085</u>	<u>1,490,799</u>
Ending Fund Balance	<u>\$1,711,840</u>	<u>\$1,749,000</u>	<u>\$2,110,381</u>

¹ Unaudited actual figures through September 30, 2016. These are the most recent figures available.
Source: District No. 1's proposed 2017 budget, 2016 Budget and District No. 1

TABLE XVII
District No. 1 – Capital Projects Fund
Budget Summary and Comparison

	2017 Budget (adopted)	2016 Budget (adopted)	2016 Actual (unaudited) ¹
Revenues			
Developer Advances	\$9,201,900	\$5,690,425	\$2,722,704
Development Fees	420,000	315,000	452,550
Storm Drainage Fees	100,000	75,000	107,750
Sewer Fees	26,100	19,575	30,015
Interest	1,000	--	1,283
CTF income	1,000	--	787
Transfer from District No. 3	<u>--</u>	<u>12,726,065</u>	<u>--</u>
Total Revenues	<u>9,750,000</u>	<u>18,826,065</u>	<u>3,315,089</u>
Expenditures			
Accounting	40,000	16,000	16,664
Legal	80,000	40,000	54,388
Miscellaneous	4,000	4,000	3,319,393
Drainage Improvements	120,000	120,000	10,842
Lower Pool Access	75,000	75,000	--
Capital Expenditures	9,181,000	5,745,000	--
Repay Developer Principal	0	12,726,065	--
Transfer to General Fund	<u>250,000</u>	<u>100,000</u>	<u>--</u>
Total Expenditures	<u>9,750,000</u>	<u>18,826,065</u>	<u>3,401,287</u>
Net Change in Fund Balance	--	--	(86,198)
Beginning Fund Balance	<u>--</u>	<u>--</u>	<u>86,198</u>
Ending Fund Balance	<u>\$--</u>	<u>\$--</u>	<u>\$--</u>

¹ Unaudited actual figures through September 30, 2016. These are the most recent figures available.
Source: District No. 1's proposed 2017 budget, 2016 Budget and District No. 1

District No. 2 Budget Summary and Comparisons.

**TABLE XVIII
District No. 2 – General Fund
Budget Summary and Comparison**

	2017 Budget (adopted)	2016 Budget (adopted)	2016 Actual (unaudited)¹
Revenues			
Property Taxes	\$105,277	\$--	\$--
Interest Income	30	--	--
Specific Ownership Taxes	<u>8,422</u>	--	--
Total Revenues	<u>113,729</u>	--	--
Expenditures			
Treasurer Fees	1,579	--	--
Transfer to District No. 1	<u>112,150</u>	--	--
Total Expenditures	<u>113,729</u>	--	--
Beginning Fund Balance	--	--	--
Ending Fund Balance	<u>\$--</u>	<u>\$--</u>	<u>\$--</u>

¹ Unaudited actual figures through September 30, 2016. These are the most recent figures available.
Source: District No. 2's proposed 2017 budget, 2016 Budget and District No. 2

**TABLE XIX
District No. 2 – Debt Service Fund
Budget Summary and Comparison**

	2017 Budget (adopted)	2016 Budget (adopted)	2016 Actual (unaudited)¹
Revenues			
Property Taxes	\$736,942	\$821,875	\$821,873
Specific Ownership Tax	58,955	65,750	49,442
Interest Income	<u>75</u>	<u>75</u>	<u>855</u>
Total Revenues	<u>795,972</u>	<u>887,700</u>	<u>872,170</u>
Expenditures			
Transfer to District No. 1	256,922	514,606	506,948
Transfer to District No. 3	523,996	356,766	352,286
Treasurers' Fees	11,054	12,328	10,790
Miscellaneous	<u>4,000</u>	<u>4,000</u>	<u>1,541</u>
Total Expenditures	<u>795,972</u>	<u>887,700</u>	<u>871,565</u>
Net Change in Fund Balance	--	--	605
Beginning Fund Balance	--	--	--
Ending Fund Balance	<u>\$--</u>	<u>\$--</u>	<u>\$ 605</u>

¹ Unaudited actual figures through September 30, 2016. These are the most recent figures available.
Source: District No. 2's proposed 2017 budget, 2016 Budget and District No. 2

District No. 3 Budget Summary and Comparisons.

TABLE XX
District No. 3 – General Fund
Budget Summary and Comparison

	2017 Budget (adopted)	2016 Budget (adopted)	2016 Actual (unaudited) ¹
Revenues			
Property Taxes	\$142,791	\$--	\$--
Specific Ownership Taxes	11,423	--	--
Interest Income	<u>50</u>	--	--
Total Revenues	<u>154,264</u>	--	--
Expenditures			
Treasurer Fees	2,142	--	--
Transfer to District No. 1	<u>152,122</u>	--	--
Total Expenditures	<u>154,264</u>	--	--
Net Change in Fund Balance	--	--	--
Beginning Fund Balance	--	--	--
Ending Fund Balance	<u>\$--</u>	<u>\$--</u>	<u>\$--</u>

¹ Unaudited actual figures through September 30, 2016. These are the most recent figures available.
Source: District No. 3's proposed 2017 budget, 2016 Budget and District No. 3

TABLE XXI
District No. 3 – Debt Service Fund
Budget Summary and Comparison

	2017 Budget (adopted)	2016 Budget (adopted)	2016 Budget (unaudited) ¹
Revenues			
Property Taxes	\$ 999,535	\$1,076,692	\$1,072,120
Specific Ownership Tax	79,964	75,368	64,585
Transfer from Capital – reserve	--	1,253,625	--
Transfer from Capital – capitalized interest	--	372,310	--
Transfer from District No. 2 (pledge)	523,996	356,766	352,286
Interest Income	<u>171</u>	<u>171</u>	<u>1,100</u>
Total revenues	<u>1,603,666</u>	<u>3,145,700</u>	<u>1,490,091</u>
Expenditures			
Bond Interest Expense-2014	394,494	399,744	199,872
Bond Principal – 2014 Bonds	175,000	175,000	--
Bond Interest Expense-2016	604,450	--	--
Bond Principal – 2016 Bonds	170,000	175,000	--
Transfer to District No. 1	349,621	532,584	521,247
Transfer to District No. 1 – Contractual	--	143,335	140,120
Treasurers' Fees - Debt	14,993	14,132	14,076
Treasurers' Fees – Contractual	--	2,019	2,011
Miscellaneous	<u>2,000</u>	<u>2,000</u>	--
Total expenditures	<u>1,710,558</u>	<u>1,268,814</u>	<u>877,326</u>
Net Change in Fund Balance	(106,892)	1,939,686	612,765
Beginning Fund Balance	<u>1,334,841</u>	<u>62,800</u>	<u>82,342</u>
Ending Fund Balance	<u>\$1,227,949</u>	<u>\$1,939,686</u>	<u>\$ 695,107</u>

¹ Unaudited actual figures through September 30, 2016. These are the most recent figures available.
Source: District No. 3's proposed 2017 budget, 2016 Budget and District No. 1

TABLE XXII
District No. 3 – Capital Projects Fund
Budget Summary and Comparison

	2017 Budget (adopted)	2016 Budget (adopted)	2016 Actual (unaudited) ¹
Revenues			
Bond Proceeds	\$--	\$14,950,000	\$--
Total Revenues	--	<u>14,950,000</u>	--
Expenditures			
Issuance Costs	--	598,000	--
Transfer to District No. 1	--	12,726,065	--
Transfer to Debt Service Fund - Reserve	--	1,253,625	--
Transfer to Debt Service Fund – Cap Interest	--	<u>372,310</u>	--
Total Expenditures	--	<u>14,950,000</u>	--
Net Change in Fund Balance	--	--	--
Beginning Fund Balance	--	--	--
Ending Fund Balance	\$--	\$--	\$--

¹ Unaudited actual figures through September 30, 2016. These are the most recent figures available.
Source: District No. 3’s proposed 2017 budget, 2016 Budget and District No. 3

Limitation on Certain Tax Revenues. It is through the preparation of the budget and by taking into consideration all sources of revenue, costs of construction, expenses of operating the Districts, and the debt service requirements of the Districts’ outstanding bonds and other obligations that the rate of mill levy is determined each year. Pursuant to the provisions of Section 20 of Article X of the Colorado Constitution (defined herein as TABOR), the Districts are subject to tax revenue limitations as described in “—Constitutional Amendment Limiting Taxes and Spending” below.

Deposit and Investment of District Funds

State statutes set forth requirements for the deposit of the Districts’ funds in eligible depositories and for the collateralization of such deposited funds. The Districts also may invest available funds in accordance with applicable State statutes. The investment of the proceeds of the Bonds also is subject to the provisions of the Internal Revenue Code. See the notes to District No. 1’s audited financial statements attached as APPENDIX A hereto. See “TAX MATTERS.”

Risk Management

The Board acts to protect the Districts against loss and liability by maintaining certain insurance coverages which the Board believes to be adequate. Currently, the Districts maintain 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, and public officials’ liability insurance coverage as an alternative to the traditional insurance market. Since 2001, CSDPLP has also offered workers’ compensation insurance. The Districts’ current policy expires on January 1, 2017. However, there can be no assurance that the Districts will continue to maintain their current levels of coverage.

Constitutional Amendment Limiting Taxes and Spending

On November 3, 1992, Colorado voters approved an amendment to the Colorado Constitution, which is commonly referred to as the Taxpayer's Bill of Rights, or TABOR, and now constitutes Section 20 of Article X of the Colorado Constitution. TABOR imposes various limits and new requirements on the State and all State local governments which do not qualify as "enterprises" under TABOR (each of which is referred to in this section as a "governmental unit"). Any of the following actions, for example, now requires voter approval in advance: (a) any increase in a governmental unit's spending from one year to the next in excess of the rate of inflation plus a "growth factor" based on (i) for the State, the percentage change in State population; (ii) for a school district, the percentage change in student enrollment; and (iii) for any other local government, the net percentage change in actual value of all real property from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property; (b) any increase in the real property tax revenues of a local governmental unit (not including the state) from one year to the next in excess of inflation plus the appropriate "growth factor" referred to in (a) above; (c) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, extension of an expiring tax or a tax policy change directly causing a net tax revenue gain; and (d) except for refinancing bonded indebtedness at a lower interest rate or adding new employees to existing pension plans, creation of any multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Elections on such matters may only be held on the same day as a state general election, at the governmental unit's regular biennial election or on the first Tuesday in November of odd numbered years, and must be conducted in accordance with procedures described in TABOR.

Revenue collected, kept or spent in violation of the provisions of TABOR must be refunded, with interest. TABOR requires a governmental unit to create an emergency reserve of 3% of its fiscal year spending in 1995 and subsequent years. TABOR provides that "[w]hen [a governmental unit's] annual revenue is less than annual payments on general obligation bonds, pensions, and final court judgments, the [voter approval requirement for mill levy and other tax increases referred to in clause I of the preceding paragraph and the voter approval requirement for spending and real property tax revenue increases referred to in clauses (a) and (b) of the preceding paragraph] shall be suspended to provide for the deficiency." The preferred interpretation of TABOR shall, by its terms, be the one that reasonably restrains most the growth of government.

De-Bruicing. At the 2006 Election, voters of the Districts approved election questions allowing the Districts to collect, retain and spend the full amount of all taxes, tax increment revenues, tap fees, park fees, facility fees, service charges, inspection charges, administrative charges, grants or any other fee, rate, toll, penalty, or charge authorized by law or contract to be imposed or collected by the Districts during fiscal year 2006 and each fiscal year thereafter for as long as the Districts continue in existence, without regard to any spending, revenue-raising, or other limitation contained within TABOR.

DEBT STRUCTURE

The following is a discussion of the Districts' authority to incur general obligation indebtedness and other financial obligations and the amount of such obligations presently outstanding.

Required Elections

Various State constitutional and statutory provisions require voter approval prior to the incurrence of general obligation indebtedness by the Districts. Among such provisions TABOR requires that, except for refinancing bonded debt at a lower interest rate and employee pension plan additions, the Districts

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. See “FINANCIAL INFORMATION OF THE DISTRICTS—Constitutional Amendment Limiting Taxes and Spending.”

General Obligation Debt

Statutory Debt Limit. The Financing Districts are subject to a statutory debt limitation established pursuant to § 32-1-1101(6), C.R.S. Said limitation provides that, with specific 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 such district’s assessed valuation. The Bonds will be rated in one of the four highest investment grade rating categories by one or more nationally recognized organizations which regularly rate such obligations, an exception set forth in the statute, and thus are not subject to such statutory limitations.

Outstanding and Authorized but Unissued Debt. At the 2006 Election, the qualified electors for each of the Districts voting at such election approved indebtedness for each of the Districts of \$60,000,000 for public improvements in each of 10 infrastructure categories for a total of \$600,000,000 in total debt authorization for each of the Districts (excluding refunding authorization), and a maximum repayment cost for such indebtedness of \$4,920,000,000 for each of the Districts. Such authorization for the Districts was decreased by the original principal amount of District No. 1’s Tax Supported Revenue Bonds, Series 2009 (\$7,000,000) and, with respect to the Financing Districts only, District No. 3’s Series 2014 Bonds (\$8,715,000), resulting in remaining voter authorization of \$584,285,000 for each of the Financing Districts. Such authorization for each of District No. 2 and District No. 3 is expected to be further reduced by the principal amount of the Bonds. The Districts have also each obtained voter authorization at the 2006 Election for the issuance of indebtedness to refund previously incurred obligations (including at a higher interest rate) in the amount of \$120,000,000, with a maximum repayment cost of \$984,000,000. Such authorization for the Districts was decreased by the original principal amount of District No. 1’s Tax Supported Revenue Refunding Bonds, Series 2010 (\$8,350,000), resulting in remaining voter authorization for refundings of \$111,650,000 for each of the Districts.

The Bonds and the obligations to provide for the payment thereof and the payment of the Series 2010 Bonds and Series 2014 Bonds in accordance with the Funding Agreements constitute the only outstanding indebtedness of the Financing Districts. The Service Plan currently establishes that all of the Districts collectively may not issue Debt (defined, generally, as general obligation debt or revenue debt not subject to annual appropriation) in excess of \$91,000,000 (with a total of \$21,000,000 permitted to be funded with revenue debt for payment of Regional Improvements, as defined in the Service Plan, and \$70,000,000 funded with either general obligation debt or revenue debt that is payable from a District Capital Fee, as defined in the Service Plan), without approval from the City. The Districts have not previously issued any such Debt for the purpose of funding costs of Regional Improvements.

District No. 3 has no present plans for the issuance of additional bonds, but may do so to reimburse additional costs of public infrastructure funded by the Developer to the extent an increase in assessed valuation of the Financing Districts permits satisfaction of the coverage tests required for the issuance of Parity Bonds under the Indenture. The issuance of additional indebtedness is subject to certain limitations of the Indenture and the Funding Agreements. See “THE BONDS—Certain Indenture Provisions—*Additional Obligations.*” For information concerning the Master IGA pursuant to which the Financing Districts may be required to impose additional ad valorem property taxes, see “THE DISTRICTS—Multiple District Structure; Master IGA—*Master IGA.*” See also “RISK FACTORS” and “FINANCIAL INFORMATION OF THE DISTRICTS—Constitutional Amendment Limiting Taxes and Spending.”

General Obligation Debt Ratios

The following are selected general obligation debt ratios for the Financing Districts collectively (considering the combined assessed valuations of District No. 2 and District No. 3) for the past five years. The obligations of the Financing Districts to provide for the payment of the Bonds, the Series 2014 Bonds and the Series 2010 Bonds constitute limited tax general obligations of the Financing Districts, the principal amount of which, for purposes of the ratios below, is assumed to equal the total principal amount of the Bonds outstanding. Prospective purchasers are cautioned that each Financing District is only required to impose, for the payment of the Bonds, the Series 2014 Bonds and the Series 2010 Bonds, the District No. 2 Required Mill Levy or the District No. 3 Required Mill Levy, as applicable, and in no event is such mill levy to exceed 50 mills, subject to adjustment as described herein. See “INTRODUCTION—Debt Ratios” for general obligation debt ratios for the Financing Districts upon issuance and delivery of the Bonds.

TABLE XXIII
Financing Districts Historical Debt Ratios

	Fiscal Years Ended December 31				
	2011	2012	2013	2014	2015
General Obligation Debt Outstanding	\$8,350,000	\$8,350,000	\$8,325,000	\$17,005,000	\$16,960,000
Estimated Population ¹	150	773	1,495	1,545	1,860
Debt Per Capita	\$55,667	\$10,802	\$5,569	\$11,006	\$9,118
District Assessed Value	\$21,215,782	\$23,588,979	\$29,234,033	\$31,614,005	\$47,464,192
Ratio of Debt to Assessed Value	39.36%	35.40%	28.48%	53.79%	35.73
Personal Income Per Capita (Jefferson County)	\$45,302	\$47,119	\$50,035	\$52,687	\$54,773
Ratio of Debt Per Capita to Personal Income Per Capita (Jefferson County)	122.88%	22.92%	11.13%	20.89%	16.65%

¹ Includes the outstanding principal amount of District No. 1’s Series 2010 Bonds, the payment obligations with respect to which under the 2010 Funding Agreement constitute limited tax general obligations of the Financing Districts, and the Series 2014 Bonds, which constitute limited tax general obligations of District No. 3 (in accordance with the 2014 Indenture) and District No. 2 (in accordance with the 2014 Funding Agreement).

² Population estimate based on 2.5 persons per household in the City, as provided by the U.S. Census Bureau, times the estimated number of occupied homes within the Financing Districts. Figures have been rounded.

Sources: Jefferson County Assessor’s Office, Financing Districts Audited Financial Statements, 2011-2015; State of Colorado, Division of Property Taxation, Annual Reports 2011-2015; Regional Economics Information System Bureau of Economic Analysis; the State Division of Local Governments; and the Financing Districts

Estimated Overlapping General Obligation Debt. Certain public entities whose boundaries may be entirely within, or only partially within the Financing Districts are also authorized to incur general obligation debt, and to the extent that properties within the Financing Districts are also within such overlapping public entities such properties will be liable for an allocable portion of such debt. For purposes of this Official Statement, the percentage of each entity’s outstanding debt chargeable to the Financing District property owners is calculated by comparing the assessed valuation of the portion overlapping such Financing District to the total assessed valuation of the overlapping entity. To the extent the Financing District’s assessed valuation changes disproportionately with the assessed valuation of overlapping entities, the percentage of general obligation debt for which the Financing District’s property owners are responsible will also change. The following table sets forth the estimated

overlapping general obligation debt collectively chargeable to properties within the Financing Districts as of the date of this Official Statement, based upon considering the collective assessed valuation of the Financing Districts, and does not reflect the smaller amount thereof that would actually be attributable to properties within each of the Financing Districts.

TABLE XXIV
Estimated Overlapping General Obligation Debt

Overlapping Public Entity	Outstanding General Obligation Debt	Estimated Net Debt Chargeable to Properties in the District	
		Percent	Amount
District No. 2			
Jefferson County School District No. R-1	\$429,115,000	0.28%	\$ 1,201,522
Mount Carbon Metropolitan District ¹	16,995,233	41.43	7,041,125
West Metro Fire Protection District	30,495,000	0.62	<u>189,069</u>
Total District No. 2			<u>\$8,431,716</u>
District No. 3			
Jefferson County School District No. R-1	\$429,115,000	0.38%	\$ 1,630,637
Mount Carbon Metropolitan District ¹	16,995,233	56.19	9,549,621
West Metro Fire Protection District	30,495,000	0.84	<u>256,158</u>
Total District No. 3			<u>\$11,436,416</u>
Total Financing Districts			<u>\$19,868,132</u>

¹ In 1997, Mt. Carbon filed for protection under Chapter 9 of the U.S. Bankruptcy Court. In 2004, bonds were issued by Mt. Carbon (the "Mt. Carbon 2004 Bonds") to consummate and effectuate the terms for Mt. Carbon's Seventh Amended Plan for Adjustment of Debts. Subsequently, all property within the boundaries of the Districts was excluded from Mt. Carbon. However, all such property excluded from the boundaries is to continue to be subject to a mill levy of 20 mills for debt service for the payment of the Mt. Carbon 2004 Bonds, which obligation terminates upon the earlier of the payment in full of the Mt. Carbon 2004 Bonds or June 2, 2043. Such property will not be subject to a mill levy for the payment of any additional debt issued by Mt. Carbon, if any. As of March 2013, Mt. Carbon had general obligation indebtedness (comprised of the Series 2004 Bonds) outstanding in the aggregate principal amount of \$16,000,000. Although the principal amount of such indebtedness may have been reduced as a result of subsequent payment, more recent information as to the outstanding principal amount of such debt is not available to the Districts.

Source: Jefferson County Assessor's Office and individual taxing entities

LEGAL MATTERS

Sovereign Immunity

The Governmental Immunity Act, Title 24, Article 10, Part 1, Colorado Revised Statutes, as amended (the "Governmental Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the Districts, for injuries which lie in tort or could lie in tort.

The Governmental Immunity Act provides that sovereign immunity does not apply to injuries occurring as a result of certain specified actions or conditions. In general, public entities will be held liable for willful and wanton acts or omissions or willful and wanton acts or omissions of its public employees which occurred during the performance of their duties and within the scope of their employment. However, if a plaintiff can meet the burden of proof required to show that any one of the exceptions specified in the Governmental Immunity Act applies, 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 was 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 Governmental Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$350,000; and (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000, except in such instance, no person may recover in excess of \$350,000. Suits against both the Districts and a public employee do not increase such maximum amounts which may be recovered. The Districts may not be held liable either directly or by indemnification for punitive or exemplary damages. In the event that the Districts is required to levy an ad valorem property tax to discharge a settlement or judgment, such tax may not exceed a total of ten mills per annum for all outstanding settlements or judgments.

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

Recent Court of Appeals Case and Legislation Relating to District Elector Qualification

On April 21, 2016, the Colorado Court of Appeals issued an opinion in the case *Landmark Towers Association, Inc. v. UMB Bank, n.a.*, 2016 WL 1594047 (Colo. App. Apr. 21, 2016) (referred to herein as “Marin”). One of the issues addressed in the Marin decision is the eligibility of persons holding contracts to purchase property within a special district to vote in special district elections, including elections held for purposes of TABOR. The Marin litigation was filed by homeowners seeking to recover taxes paid to the Marin Metropolitan District (the “Marin District”) and to enjoin the future levying of taxes on the basis that the persons who approved the Marin District’s debt and taxes (the “Organizational Electors”) were not eligible electors. The Court determined that the Organizational Electors’ contracts to purchase property were invalid based upon certain factors. The Court also held that prospective homeowners who had entered into contracts to purchase condominium units in the Marin District were eligible electors who should have been allowed to participate in the organizational election. As a result, the Court held that the Marin District’s TABOR election was conducted illegally and the taxes authorized by such election to pay the Marin District’s bonds were levied illegally. On November 7, 2016, the Colorado Supreme Court granted the petition filed by the Marin District and other defendants for writ of certiorari and has agreed to hear the appeal of the Marin decision.

In response to the Marin decision, the Colorado General Assembly unanimously passed Senate Bill 16-211 (“SB 211”), which was signed into law by the Governor on May 18, 2016. SB 211 states that no special district election conducted on or before May 3, 2016, may be contested on the grounds that any person who voted at such election was not an eligible elector, unless such a contest was pending on or before April 21, 2016, or for those elections occurring on May 3, 2016, was initiated within the time periods specified in SB 211. It also validates the qualifications of all board members appointed or elected on or before May 3, 2016, and all actions undertaken by any board member appointed or elected on or before May 3, 2016. SB 211 also states that the foregoing bar to election contests does not apply to challenges of elections held after January 1, 2012 on the grounds that federal or state constitutional rights of the eligible electors were violated nor to any challenges initiated prior to April 21, 2016, with respect to elections held before January 1, 2012. SB 211 has not been applied or interpreted by any court and

there is no guarantee that SB 211 will effectively bar state or federal constitutional claims filed at any given time.

Bond Counsel has concluded, and will provide an opinion to the effect that, the Bonds constitute valid and binding limited tax general obligations of the District, payable solely from the Pledged Revenue, and that all of the taxable property of the District is subject to the levy of an ad valorem tax in the amount of the Required Mill Levy. See APPENDIX D—FORM OF BOND COUNSEL OPINION. In addition, Bond Counsel has concluded and will provide an opinion to the effect that, the 2014 Funding Agreement constitutes a valid and binding limited tax general obligation of District No. 2.

Legal Representation

Legal matters incident to the authorization and issuance of the Bonds are subject to approval by Greenberg Traurig LLP, Denver, Colorado, as Bond Counsel to District No. 3. A form of the approving opinion to be delivered by Bond Counsel is attached hereto as Appendix D. Certain matters will be passed on by White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, as General Counsel to the Districts. Kutak Rock LLP, Denver, Colorado, is acting as Counsel to the Underwriter and, in such capacity, has assisted in the preparation of this Official Statement.

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

Pending and Threatened Litigation Involving the Financing Districts

In connection with the issuance of the Bonds, General Counsel to the Financing Districts is expected to render an opinion stating that, to the best of its knowledge, there is no action, suit, proceeding, inquiry or investigation pending in which the Financing District is a party. In addition, it is also anticipated that, in connection with the issuance of the Bonds, each of the Financing Districts will execute a certificate stating that there is no action, suit or proceeding now pending or, to the best knowledge of the Financing District, threatened, against the Financing District wherein an unfavorable decision, ruling, or finding would materially and adversely affect the financial condition or operations of the District, District No. 3's power to issue and deliver the Bonds, or the Financing District's power to execute and perform the obligations of the Indenture (with respect to District No. 3 only) and the 2014 Funding Agreement, including to levy the District No.2 Required Mill Levy or the District No. 3 Required Mill Levy, as applicable.

Indenture Irrepealable

The Indenture provides that after any of the Bonds are issued, such Indenture shall remain irrepealable, but amendable in certain circumstances, until the Bonds and the interest accruing thereon shall have been fully paid, satisfied, and discharged.

Future Changes in Laws

Various Colorado laws and constitutional provisions apply to the imposition, collection, and expenditure of ad valorem property taxes and the operation of the Districts. There is no assurance that there will not be any change in the interpretation of, or additions to applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the Districts and the imposition, collection, and expenditure of ad valorem property taxes and fees.

Limitations on Remedies Available to Bondholders

The enforceability of the rights and remedies of the Owners, and the obligations incurred by District No. 3 in issuing the Bonds, are subject to the following: the federal bankruptcy code 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 granted to it by the federal Constitution; 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, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

TAX MATTERS

General

The Code includes requirements which the District must continue to meet after the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income for federal income tax purposes. The District's failure to meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The District has covenanted in the Indenture to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications of the District and continuous compliance by the District with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, the interest on the Bonds is excludable from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that interest on the Bonds is exempt from Colorado income taxes and is not a specific preference item for purposes of the State of Colorado alternative minimum income tax for any period during which interest on the Bonds is not included in gross income for federal income tax purposes.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Bonds, or the ownership or disposition of the Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, (ii) the reduction of the loss reserve

deduction for property and casualty insurance companies by 15 percent of certain items, including the interest on the Bonds, (iii) the inclusion of the interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of the interest on the Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year and (v) the inclusion of interest on the Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these other tax consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

Original Issue Premium

The Bonds maturing prior to December 1, 2021 (the "Noncallable Premium Bonds") and the Bonds maturing on and after December 1, 2021 (the "Callable Premium Bonds") were sold at a price in excess of the amount payable at maturity in the case of the Noncallable Premium Bonds or their earlier call date in the case of the Callable Premium Bonds. Under the Code, the difference between the amount payable at maturity of the Noncallable Premium Bonds and the tax basis to the purchaser and the difference between the amount payable at the call date of the Callable Premium Bonds that minimizes the yield to a purchaser of a Callable Premium Bond and the tax basis to the purchaser (other than a purchaser who holds a Noncallable or Callable Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) is "bond premium." Bond premium is amortized for federal income tax purposes over the term of a Noncallable Premium Bond and over the period to the call date of a Callable Premium Bond that minimizes the yield to the purchaser of the Callable Premium Bond. A purchaser of a Noncallable or Callable Premium Bond is required to decrease his adjusted basis in the Premium Bond by the amount of amortizable bond premium attributable to each taxable year he holds the Premium Bond. The amount of amortizable bond premium attributable to each taxable year is determined at a constant interest rate compounded actuarially. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of the Noncallable or Callable Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption or other disposition of Noncallable or Callable Premium Bonds and with respect to the state and local consequences of owning and disposing of Noncallable or Callable Premium Bonds.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of

Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Future Legislation

On February 23, 2016, the IRS published proposed regulations providing a new definition of political subdivision for purposes of bonds the interest on which is excluded from gross income for federal tax purposes. The proposed regulations require that a political subdivision (i) have the power to exercise at least one sovereign power, (ii) be formed and operated for a governmental purpose, and (iii) have a governing body controlled by or have significant uses of its fund or assets otherwise controlled by a government unit with all three sovereign powers or by an electorate that is not controlled by an unreasonably small number of unrelated electors. On March 9, 2016, the IRS released corrections to the transition rules in the proposed regulations providing that the new definition of political subdivision will not apply to bonds issued prior to the general applicability date, which is a date ninety (90) days after the proposed regulations are published in final form in the Federal Register. Accordingly, the proposed regulations, if finalized in their current form, would not be applicable to the Bonds, but may impact any future series of bonds planned for the District.

MISCELLANEOUS

Rating

S&P Global Ratings ("S&P") has assigned the rating of "BBB" to the Bonds, and has indicated such rating has a stable outlook.

The rating referenced in the preceding paragraph reflect only the view of such rating agency and any explanation of the significance of the rating (as well as any positive or negative outlooks thereon or potential changes to any rating in the near future) may only be obtained at S&P, 55 Water Street, New York, New York, 10041-0003. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by one or both rating agencies if in their judgment circumstances so warrant. Any downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

Underwriting

The Bonds are being sold by District No. 3 to the Underwriter at a discount of \$62,075 pursuant to a bond purchase agreement entered into between the Underwriter and District No. 3. Expenses associated with the issuance of the Bonds are being paid by District No. 3 from proceeds of the Bonds. The right of the Underwriter to receive compensation in connection with the Bonds is contingent upon the actual sale and delivery of the Bonds. The Underwriter has initially offered the Bonds to the public at the prices or yields set forth on the cover page of this Official Statement. Such prices or yields may

subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the Bonds to the public.

Registration of Bonds

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the federal Securities Act of 1933, as amended, the Colorado Securities Act, as amended, or the Colorado Municipal Bond Supervision Act, as amended, pursuant to exemptions from registration provided in such acts. **DISTRICT NO. 3 ASSUMES NO RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED.**

The “Colorado Municipal Bond Supervision Act,” Article 59 of Title 11, C.R.S., (the “Act”) generally provides for the Colorado Securities Commissioner (the “Commissioner”) to regulate and monitor the issuance of municipal securities by special districts and certain other entities. Among other things, the Act requires that all bonds, debentures, or other obligations (defined in the Act as “bonds”) issued by a special district must first be registered with the Commissioner unless exempt under the Act. Exempted from the registration requirement are, among others, an issue of bonds that is rated in one of its four highest rating categories by one or more nationally recognized organization which regularly rate such obligations. The Bonds will be exempt from registration pursuant to said exemption, among others.

Undertaking To Provide Ongoing Disclosure

Pursuant to the requirements of the Securities and Exchange Commission Rule 15c2 12 (17 CFR Part 240, § 240.15c2 12) (“Rule 15c2 12”), District No. 3 and District No. 2 each has covenanted, for the benefit of the holders of the Bonds, to provide certain financial information and other operating data and notices of material events after the Bonds are issued. The forms of District No. 3’s and District No. 2’s Continuing Disclosure Undertakings are attached as APPENDIX B to this Official Statement (the “Undertaking”).

During the past five years, District No. 3 and District No. 2 did not file certain annual operating data for fiscal years ending December 31, 2014 and 2015, and did not file notice of its failure to provide the aforementioned information on or before the date specified in its prior continuing disclosure undertakings. Such information was filed on behalf of the District on November 22, 2016.

A failure by District No. 3 or District No. 2 to comply with the Undertakings will not constitute an Event of Default under the Indenture (although Bond owners will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Interest of Certain Persons Named in this Official Statement

The legal fees to be paid to Bond Counsel and Underwriter’s Counsel are contingent upon the sale and delivery of the Bonds.

Independent Auditors

The basic financial statements of the Districts for the fiscal year ended December 31, 2015, which are appended hereto, have been audited by independent auditor, L. Paul Goedecke P.C., Certified Public Accountants, Lakewood, Colorado, as stated in their reports appearing therein. Such statements have been included without review or consent of the auditor.

Additional Information

Copies of statutes, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports and documents described in this Official Statement are either publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from the sources noted in the “Introduction” hereto.

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Official Statement Certification

The preparation of this Official Statement and its distribution have been authorized by the Board. This Official Statement is hereby duly approved by the Board as of the date on the cover page hereof. This Official Statement is not to be construed as an agreement or contract between District No. 3 and the purchasers or owners of any Bond.

**FOSSIL RIDGE METROPOLITAN DISTRICT
NO. 3, in the City of Lakewood, Colorado**

By Marc Savela
President

APPENDIX A

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015**

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Financial Statements

Year Ended December 31, 2015

with

Independent Auditors' Report

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Independent Auditor's Report

Board of Directors
Fossil Ridge Metropolitan District No. 1
Jefferson County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fossil Ridge Metropolitan District No. 1 as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Economic Dependency

The District has not yet established a revenue base sufficient to pay its operational and capital improvement expenditures. As discussed in Note 6, the District is dependent upon the Developer of the District's service area to provide funds for such expenditures.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fossil Ridge Metropolitan District No. 1 as of December 31, 2015, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
June 28, 2016

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Cash and investments	\$ 344,081	\$ -	\$ -	\$ 344,081	\$ -	\$ 344,081
Cash and investments - restricted	-	1,486,521	1,223,017	2,709,538	-	2,709,538
Accounts receivable - assessments	1,445	-	-	1,445	-	1,445
Deposits	-	-	15,000	15,000	-	15,000
Due from District #2	538	2,351	-	2,889	-	2,889
Due from District #3	576	1,926	-	2,502	-	2,502
Capital assets not being depreciated	-	-	-	-	23,460,967	23,460,967
Capital assets, net of accumulated depreciation	-	-	-	-	7,624,597	7,624,597
Total Assets	<u>\$ 346,640</u>	<u>\$ 1,490,798</u>	<u>\$ 1,238,017</u>	<u>\$ 3,075,455</u>	<u>31,085,564</u>	<u>34,161,019</u>
LIABILITIES						
Accounts payable	\$ 24,523	\$ -	\$ 432,077	\$ 456,600	-	456,600
Prepaid assessments	73,890	-	-	73,890	-	73,890
Retainage payable	-	-	719,742	719,742	-	719,742
Accrued interest on bonds	-	-	-	-	49,814	49,814
Long-term liabilities:						
Due within one year	-	-	-	-	55,000	55,000
Due in more than one year	-	-	-	-	63,315,435	63,315,435
Total Liabilities	<u>98,413</u>	<u>-</u>	<u>1,151,819</u>	<u>1,250,232</u>	<u>63,420,249</u>	<u>64,670,481</u>
FUND BALANCES/NET POSITION						
Fund balances:						
Nonspendable:						
Deposits	-	-	15,000	15,000	(15,000)	-
Restricted:						
Emergencies	38,960	-	-	38,960	(38,960)	-
Debt service	-	1,490,798	-	1,490,798	(1,490,798)	-
Capital Projects	-	-	71,198	71,198	(71,198)	-
Unassigned	<u>209,267</u>	<u>-</u>	<u>-</u>	<u>209,267</u>	<u>(209,267)</u>	<u>-</u>
Total Fund Balances	<u>248,227</u>	<u>1,490,798</u>	<u>86,198</u>	<u>1,825,223</u>	<u>(1,825,223)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 346,640</u>	<u>\$ 1,490,798</u>	<u>\$ 1,238,017</u>	<u>\$ 3,075,455</u>		
Net Position:						
Net investment in capital assets					-	-
Restricted for:						
Emergencies					38,960	38,960
Debt service					1,440,985	1,440,985
Capital Projects					71,198	71,198
Unrestricted					<u>(32,060,604)</u>	<u>(32,060,604)</u>
Total Net Position (Deficit)					<u>\$ (30,509,462)</u>	<u>\$ (30,509,462)</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Property management	\$ 48,431	\$ -	\$ -	\$ 48,431	\$ -	\$ 48,431
Accounting and audit	12,145	-	18,581	30,726	(18,581)	12,145
Insurance	31,414	-	-	31,414	-	31,414
Legal	10,679	-	45,103	55,782	(45,103)	10,679
Grounds	215,366	-	-	215,366	-	215,366
Retreat	218,436	-	-	218,436	-	218,436
Utilities	129,340	-	-	129,340	-	129,340
Sewer operations	205,338	-	-	205,338	-	205,338
Miscellaneous	-	-	7,352	7,352	(7,352)	-
Bond principal - 2010 bonds	-	45,000	-	45,000	(45,000)	-
Bond interest - 2010 bonds	-	601,025	-	601,025	(272)	600,753
Trustee/paying agent fees	-	2,000	-	2,000	-	2,000
Capital improvements	-	-	7,201,395	7,201,395	(7,201,395)	0
Depreciation	-	-	-	-	331,189	331,189
Interest on developer advances - operations	-	-	-	-	48,462	48,462
Interest on developer advances - capital	-	-	-	-	2,735,811	2,735,811
Total Expenditures	<u>871,149</u>	<u>648,025</u>	<u>7,272,431</u>	<u>8,791,605</u>	<u>(4,202,241)</u>	<u>4,589,364</u>
PROGRAM REVENUES						
System development fees	-	-	572,250	572,250	-	572,250
Storm drainage fees	-	-	136,250	136,250	-	136,250
Sewer fees	-	-	37,062	37,062	-	37,062
Homeowner assessments	524,984	-	-	524,984	-	524,984
Sewer service fees	132,106	-	-	132,106	-	132,106
Sewer operations fees	51,884	-	-	51,884	-	51,884
Sewer administration fees	18,564	-	-	18,564	-	18,564
Amenity user fees	78,522	-	-	78,522	-	78,522
Miscellaneous income	7,490	-	-	7,490	-	7,490
Total Program Revenues	<u>813,550</u>	<u>-</u>	<u>745,562</u>	<u>1,559,112</u>	<u>-</u>	<u>1,559,112</u>
Net Program Income (Expense)	<u>(57,599)</u>	<u>(648,025)</u>	<u>(6,526,869)</u>	<u>(7,232,493)</u>	<u>4,202,241</u>	<u>(3,030,252)</u>
GENERAL REVENUES						
Transfer from District No. 2	83,351	364,270	-	447,621	-	447,621
Transfer from District No. 3	85,468	373,815	-	459,283	-	459,283
Interest income	-	198	3,481	3,679	-	3,679
Total General Revenues	<u>168,819</u>	<u>738,283</u>	<u>3,481</u>	<u>910,583</u>	<u>-</u>	<u>910,583</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	111,220	90,258	(6,523,388)	(6,321,910)	4,202,241	(2,119,669)
OTHER FINANCING SOURCES (USES)						
Developer advances	571	-	6,589,586	6,590,157	(6,590,157)	-
Total Other Financing Sources (Uses)	<u>571</u>	<u>-</u>	<u>6,589,586</u>	<u>6,590,157</u>	<u>(6,590,157)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	111,791	90,258	66,198	268,247	(268,247)	-
CHANGES IN NET POSITION	-	-	-	-	(2,119,669)	(2,119,669)
FUND BALANCES/NET POSITION						
BEGINNING OF YEAR	<u>136,436</u>	<u>1,400,540</u>	<u>20,000</u>	<u>1,556,976</u>	<u>(29,946,768)</u>	<u>(28,389,792)</u>
END OF YEAR	<u>\$ 248,227</u>	<u>\$ 1,490,798</u>	<u>\$ 86,198</u>	<u>\$ 1,825,223</u>	<u>\$ (32,334,685)</u>	<u>\$ (30,509,462)</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2015

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Transfer from District No. 2	\$ 83,154	\$ 83,351	\$ 197
Transfer from District No. 3	85,191	85,468	277
Homeowner assessments	623,700	524,984	(98,716)
Sewer service fees	192,060	132,106	(59,954)
Sewer operations fees	57,356	51,884	(5,472)
Sewer administration fees	19,800	18,564	(1,236)
Amenity user fees	55,000	78,522	23,522
Miscellaneous income	739	7,490	6,751
Total Revenues	1,117,000	982,369	(134,631)
EXPENDITURES			
Property management	34,119	48,431	(14,312)
Accounting and audit	30,000	12,145	17,855
Office Administration	9,000	-	9,000
Insurance	40,000	31,414	8,586
Legal	50,000	10,679	39,321
Grounds	292,300	215,366	76,934
Retreat	291,881	218,436	73,445
Utilities	158,200	129,340	28,860
Sewer operations	309,216	205,338	103,878
Website	1,500	-	1,500
Contingency	64,298	-	64,298
Emergency reserve	36,486	-	36,486
Total Expenditures	1,317,000	871,149	445,851
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(200,000)	111,220	311,220
OTHER FINANCING SOURCES			
Developer advances	-	571	571
Transfer from Capital Projects fund	200,000	-	(200,000)
Total Other Financing Sources	200,000	571	(199,429)
NET CHANGE IN FUND BALANCE	-	111,791	111,791
FUND BALANCE:			
BEGINNING OF YEAR	-	136,436	136,436
END OF YEAR	\$ -	\$ 248,227	\$ 248,227

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2015

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Fossil Ridge Metropolitan District No. 1 (“District”), located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized October 10, 2006, as a quasi-municipal organization established under the State of Colorado Special District Act. At the time of formation, the Fossil Ridge Metropolitan District No. 2 (“District No. 2”) and the Fossil Ridge Metropolitan District No. 3 (“District No. 3”) were also formed. All three districts are governed by the same Service Plan (as amended by the Second Amended and Restated Service Plan approved by the City of Lakewood on August 27, 2007), which provides that the District is the “Operating District” and District No. 2 and District No. 3 are the “Taxing Districts”. The Taxing Districts are to provide funding to the Operations District for the construction, operation and maintenance of various public improvements and the Operating District is expected to manage such construction, operation and maintenance. The District's primary revenues are homeowner assessments, developer advances and transfers from the Taxing Districts. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees and all operations and administrative functions are contracted.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2015

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2015

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Subsequent to year end, the District amended its total appropriations in the Capital Projects Fund from \$7,200,000 to \$7,300,000 primarily due to increased capital expenditures.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2015, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2015

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has no items that qualify for reporting in this category.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Community center	25 years
Sanitation	40 years

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2015

Interfund Balances

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". These amounts are eliminated in the Statement of Net Position.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

The District has a limited amount of assessed valuation and therefore has not certified a mill levy.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2015

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the Capital Projects Fund in the amount of \$15,000 represents utility deposits.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$38,960 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$1,490,798 is restricted for the payment of the debt services costs associated with the 2009 Tax-Supported Revenue Refunding Bonds (see Note 4) as well as bond proceeds held by the trustee as a “reserve requirement”.

The restricted fund balance in the Capital Projects Fund in the amount of \$71,198 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District’s Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2015

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2015, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	\$ 344,081
Cash and investments – Restricted	<u>2,709,538</u>
Total	\$ <u>3,053,619</u>

Cash and investments as of December 31, 2015 consist of the following:

Deposits with financial institutions	\$ 846,470
Investments – COLOTRUST	727,384
Investments – Federated Treasury	<u>1,479,765</u>
	\$ <u>3,053,619</u>

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements December 31, 2015

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Federated Treasury Obligations Fund

During 2015, the District's funds that were included in the trust accounts at the UMB Bank were invested in the Federated Treasury Obligations Fund. This fund is a money market fund and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 397 days or less. As of December 31, 2015, the District has \$1,479,765 invested in the fund, all of which was restricted for the repayment of bond principal and interest.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2015

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s and the maturity is a weighted average under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The trusts operate similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2015, the District had \$727,384 invested in COLOTRUST.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2015 follows:

Governmental Type Activities:	Balance 1/1/2015	Transfers/ Additions	Transfers/ Deletions	Balance 12/31/2015
<u>Capital assets not being depreciated:</u>				
Construction in progress	\$ 7,422,128	\$ 6,497,059	\$ -	\$ 13,919,187
Parks and recreation	8,766,408	775,372	-	9,541,780
Total capital assets not being depreciated:	<u>16,188,536</u>	<u>7,272,431</u>	-	<u>23,460,967</u>
<u>Capital assets being depreciated:</u>				
Recreation center and Equipment	8,175,745	-	-	8,175,745
Sanitation	1,910,117	-	-	1,910,117
Total capital assets:	<u>10,085,862</u>	-	-	<u>10,085,862</u>
Less accumulated depreciation:				
Recreation center	1,972,414	283,436	-	2,255,850
Sanitation	157,662	47,753	-	205,415
Parks and recreation	-	-	-	-
Total depreciation:	<u>2,130,076</u>	<u>331,189</u>	-	<u>2,461,265</u>
Net capital assets being depreciated:	<u>7,955,786</u>	<u>(331,189)</u>	-	<u>7,624,597</u>
Government type assets, net	<u>\$ 24,144,322</u>	<u>\$ 6,941,242</u>	<u>\$ -</u>	<u>\$ 31,085,564</u>

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2015

Upon completion and acceptance, all fixed assets except for the recreation center, sanitation, parks and landscaping will be conveyed by the District to other local governments. The District will not be responsible for maintenance.

Note 4: Long Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2015:

	Balance 1/1/2015	Additions	Reductions	Balance 12/31/2015	Current Portion
Developer advances:					
Capital - principal	\$ 42,155,351	\$ 6,880,396	\$ -	\$ 49,035,747	\$ -
Capital - interest	2,320,823	2,735,811	-	5,056,634	-
Operations - principal	807,686	571	-	808,257	-
Operations - interest	176,335	48,462	-	224,797	-
Series 2010 - Tax-Supported Refunding Revenue Bonds	8,290,000	-	45,000	8,245,000	55,000
	<u>\$ 53,750,195</u>	<u>\$ 9,665,240</u>	<u>\$ 45,000</u>	<u>\$ 63,370,435</u>	<u>\$ 55,000</u>

A description of the long-term obligations as of December 31, 2015, is as follows:

\$8,350,000 Tax-Supported Revenue Refunding Bonds – Series 2010

On September 28, 2010, the District issued \$8,350,000 of Tax-Supported Revenue Refunding Bonds, Series 2010 (“Series 2010 Bonds”). The bonds mature in increasing amounts beginning December 1, 2013. The bonds were issued for the purpose of advance refunding the Series 2009 Bonds, funding a debt service reserve and paying the cost of issuance. The bonds mature on December 1, 2040. The bonds bear interest at the rate of 7.25%, payable semiannually on each June 1 and December 1, commencing on December 1, 2010. The bonds are subject to redemption prior to maturity on any date on or after December 1, 2020, at a redemption price equal to 100% of their principal amount plus accrued interest. The Series 2010 Bonds are secured by Pledged Revenues including ad valorem taxes and specific ownership taxes collected by the Financing Districts beginning in 2010 per an Amended and Restated Joint Funding Agreement with District No. 2 and District No.3 as approved on September 1, 2010.

Associated with the issuance of the Series 2010 Bonds, the District funded a reserve fund for the Bonds in the amount of \$819,152. These funds are to be used to make up any deficiencies relating to the timely payment of principal and interest. In addition, the District used \$8,204,403 of the proceeds to establish the escrow accounts for the refunded Series 2009 Bonds. The refunding generated a Net Present Value savings of \$107,376.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2015

The following is a summary of the annual long-term debt principal and interest requirements on the Series 2010 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 55,000	\$ 597,762	\$ 652,762
2017	65,000	593,775	658,775
2018	75,000	589,063	664,063
2019	90,000	583,625	673,625
2020	100,000	577,100	677,100
2021 - 2025	740,000	2,754,637	3,494,637
2026 - 2030	1,255,000	2,416,425	3,671,425
2031 - 2035	1,990,000	1,863,250	3,853,250
2036 - 2040	3,875,000	997,962	4,872,962
	<u>\$ 8,245,000</u>	<u>\$ 10,973,599</u>	<u>\$ 19,218,599</u>

Master Intergovernmental Agreement

On January 8, 2008, the District entered into a Master Intergovernmental Agreement with District No. 2 and District No. 3. Per the agreement, the District is to construct, own, maintain and operate the facilities benefiting District No. 2 and District No. 3, which may include the borrowing of funds or issuance of revenue bonds. District No. 2 and District No. 3 are to pay all costs related to the construction, operation, and maintenance of such facilities, including the payment of amounts owing in connection with bonds issued to finance such facilities. Such financial obligations are to be paid from the Taxing Districts' annual certification of a mill levy, subject to the limitations of the Service Plan and not to exceed 50 mills. The IGA also sets forth certain provisions pertaining to the processes for payment of capital, operations and maintenance costs, review of budgets and project plans, execution of construction contracts, administrative management, establishment of user fees, and the transfers of funds between districts.

Joint Funding Agreements

On September 1, 2009, the District entered into a Joint Funding Agreement with Districts No. 2 and No. 3 to provide for the payment to the trustee of certain property taxes and specific ownership taxes collected by Districts No. 2 and No. 3 for the purpose of paying debt service on its Series 2009 Bonds. An Amended and Restated Joint Finding Agreement was approved on September 1, 2010 which allowed for the payment of the debt service related to the Series 2010 Bonds.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2015

On December 22, 2014, the District entered into a 2014 Joint Funding Agreement with District No. 2 and District No. 3, pursuant to which District No. 2 and District No. 3 will be obligated to impose a required mill levy for the purpose of providing for the payment of District No. 3's Series 2014 Bonds. All revenues payable to the trustee under the Funding Agreements constitute Pledged Revenue pledged to the payment of the Series 2010 Bonds and Series 2014 Bonds on parity.

Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement

On May 13, 2008, the District entered into a Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement with Brookfield Residential (Colorado), LLC, formerly Carma (Colorado), Inc. ("Developer"). The agreement provides for the advancement by the Developer of certain moneys for capital improvements, and operating and maintenance costs for an amount not to exceed \$91,000,000. The agreement also provides for the repayment of these advances using bond proceeds and or with any legally available funds. These advances shall bear interest at a rate of 6% per annum from the date of the advance. The agreement also provides for the District to acquire any public improvements constructed by the Developer upon receipt of the proper engineer's certificate as to district eligibility. The repayment obligations by the District constitute a multiple fiscal year financial obligation and are not subject to annual appropriation.

Debt Authorization

As of December 31, 2015, the District had remaining voted debt authorization of approximately \$704,650,000. The District has not budgeted to issue new debt during 2016. Per the District's Service Plan, the District, in combination with Districts No. 2 and No. 3, cannot issue more than \$91 million in revenue debt, of which \$70 million of such authorization may be allocated to general obligation debt.

Note 5: District Agreements

IGA with Green Mountain Water and Sanitation District – Extra-territorial Sewer Service

On January 15, 2008, the District entered into an Intergovernmental Agreement for Extra-territorial Sewer Service with the Green Mountain Water and Sanitation District ("Green Mountain"). The purpose of this agreement is to outline the responsibilities associated with the design and construction of the sewer system within the District as well as the collection of the associated system development fees and the billing for the ongoing sewer service. The District is in the process of amending this agreement with respect to the collection of the system development fee payments.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2015

IGA with Green Mountain Water and Sanitation District – Sewer System Maintenance and Repair

On September 19, 2008, the District entered into an Intergovernmental Agreement for Maintenance and Repair of Sewer System with the Green Mountain Water and Sanitation District. Per this agreement, Green Mountain will perform the maintenance and repair services and the District will compensate Green Mountain monthly based on a mutually agreed upon rate schedule.

IGA with the City of Lakewood - Maintenance

On April 22, 2008, the District entered into an Intergovernmental Agreement Relating to Maintenance with the City of Lakewood (“Lakewood”). The purpose of this agreement is to set forth the obligations of and the benefits to both parties in relation to the maintenance activities within the District. Lakewood’s responsibilities will be comparable to its maintenance of other similar improvements throughout the city. This agreement terminates on December 31 of each year and automatically renews for successive one year periods.

Note 6: Economic Dependency

The District has not yet established a revenue base sufficient to pay the District’s ongoing capital improvements requirements. Until an independent revenue base is established, the continuation of capital improvements in the District will be dependent on funding by the Developer.

Note 7: Tax, Spending and Debt Limitations

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

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

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

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

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements

December 31, 2015

On November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 9: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 10: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and,
- 2) long-term liabilities such as bonds payable, accrued bond interest payable, developer advances payable, and accrued interest on developer advances are not due and payable in the current period and, therefore, are not in the funds.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

Notes to Financial Statements
December 31, 2015

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are held as construction in progress pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the statement of activities; and,
- 3) governmental funds report developer advances as revenue; however, these are reported as changes to long-term liabilities on the government-wide financial statements.

SUPPLEMENTAL INFORMATION

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2015

	Original/Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Transfer from District No. 2	\$ 357,613	\$ 364,270	\$ 6,657
Transfer from District No. 3	367,852	373,815	5,963
Interest income	<u>535</u>	<u>198</u>	<u>(337)</u>
 Total Revenues	 <u>726,000</u>	 <u>738,283</u>	 <u>12,283</u>
 EXPENDITURES			
Bond principal - 2010 bonds	45,000	45,000	-
Bond interest - 2010 bonds	601,025	601,025	-
Trustee/paying agent fees	<u>8,975</u>	<u>2,000</u>	<u>6,975</u>
 Total Expenditures	 <u>655,000</u>	 <u>648,025</u>	 <u>6,975</u>
 NET CHANGE IN FUND BALANCE	 71,000	 90,258	 19,258
 FUND BALANCE:			
BEGINNING OF YEAR	<u>1,383,000</u>	<u>1,400,540</u>	<u>17,540</u>
 END OF YEAR	 <u>\$ 1,454,000</u>	 <u>\$ 1,490,798</u>	 <u>\$ 36,798</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -

CAPITAL PROJECTS FUND

For the Year Ended December 31, 2015

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
System development fees	\$ 1,155,000	\$ 1,155,000	\$ 572,250	\$ (582,750)
Storm drainage fees	275,000	275,000	136,250	(138,750)
Sewer fees	71,775	71,775	37,062	(34,713)
Interest income	-	-	3,481	3,481
Total Revenues	<u>1,501,775</u>	<u>1,501,775</u>	<u>749,043</u>	<u>(752,732)</u>
EXPENDITURES				
Accounting and audit	16,000	16,000	18,581	(2,581)
Legal	40,000	40,000	45,103	(5,103)
Miscellaneous	4,000	4,000	7,352	(3,352)
Capital improvements	<u>6,940,000</u>	<u>7,040,000</u>	<u>7,201,395</u>	<u>(161,395)</u>
Total Expenditures	<u>7,000,000</u>	<u>7,100,000</u>	<u>7,272,431</u>	<u>(172,431)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(5,498,225)	(5,598,225)	(6,523,388)	(925,163)
OTHER FINANCING SOURCES (USES)				
Developer advances	5,698,225	5,798,225	6,589,586	791,361
Transfer to General fund	<u>(200,000)</u>	<u>(200,000)</u>	-	200,000
Total Other Financing Sources (Uses)	<u>5,498,225</u>	<u>5,598,225</u>	<u>6,589,586</u>	<u>991,361</u>
NET CHANGE IN FUND BALANCE	-	-	66,198	66,198
FUND BALANCE:				
BEGINNING OF YEAR	-	-	20,000	20,000
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,198</u>	<u>\$ 86,198</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 1

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2014

\$8,350,000 Tax-Supported Revenue Bonds

Series 2010

Interest Rate 7.25%

Payable June 1 and December 1

Principal Due December 1

<u>Year Ended</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 55,000	\$ 597,762	\$ 652,762
2017	65,000	593,775	658,775
2018	75,000	589,063	664,063
2019	90,000	583,625	673,625
2020	100,000	577,100	677,100
2021	115,000	569,850	684,850
2022	130,000	561,512	691,512
2023	145,000	552,088	697,088
2024	165,000	541,575	706,575
2025	185,000	529,612	714,612
2026	205,000	516,200	721,200
2027	225,000	501,338	726,338
2028	250,000	485,025	735,025
2029	275,000	466,900	741,900
2030	300,000	446,962	746,962
2031	330,000	425,213	755,213
2032	360,000	401,287	761,287
2033	395,000	375,188	770,188
2034	435,000	346,550	781,550
2035	470,000	315,012	785,012
2036	515,000	280,938	795,938
2037	560,000	243,600	803,600
2038	605,000	203,000	808,000
2039	660,000	159,137	819,137
2040	<u>1,535,000</u>	<u>111,287</u>	<u>1,646,287</u>
	<u>\$ 8,245,000</u>	<u>\$ 10,973,599</u>	<u>\$ 19,218,599</u>

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2015

with

Independent Auditors' Report

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L. PAUL GOEDECKE P.C.

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Independent Auditor's Report

Board of Directors
Fossil Ridge Metropolitan District No. 2
Jefferson County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fossil Ridge Metropolitan District No. 2 as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fossil Ridge Metropolitan District No. 2 as of December 31, 2015, and the respective changes in financial position for for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
June 28, 2016

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS

December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Receivable from county treasurer	\$ 538	\$ 3,766	\$ 4,304	\$ -	\$ 4,304
Property taxes receivable	-	719,141	719,141	-	719,141
Total Assets	<u>\$ 538</u>	<u>\$ 722,907</u>	<u>\$ 723,445</u>	-	<u>723,445</u>
LIABILITIES					
Due to District No. 1	\$ 538	\$ 2,351	\$ 2,889	-	2,889
Due to District No. 3	-	1,415	1,415	-	1,415
Total Liabilities	<u>538</u>	<u>3,766</u>	<u>4,304</u>	-	<u>4,304</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	-	719,141	719,141	-	719,141
Total Deferred Inflows of Resources	<u>-</u>	<u>719,141</u>	<u>719,141</u>	-	<u>719,141</u>
FUND BALANCE					
Fund balance:					
Unassigned	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 538</u>	<u>\$ 722,907</u>	<u>\$ 723,445</u>		
Net Position:					
Unrestricted				-	-
Total Net Position				<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Transfer to District No. 1	\$ 83,351	\$ 364,270	\$ 447,621	\$ -	\$ 447,621
Transfer to District No. 3	-	219,187	219,187	-	219,187
Treasurers' fees	<u>1,127</u>	<u>7,893</u>	<u>9,020</u>	-	<u>9,020</u>
Total Expenditures	<u>84,478</u>	<u>591,350</u>	<u>675,828</u>	-	<u>675,828</u>
Net Program Income (Expense)	(84,478)	(591,350)	(675,828)	-	(675,828)
GENERAL REVENUES					
Property taxes	78,078	546,548	624,626	-	624,626
Specific ownership taxes	6,380	44,663	51,043	-	51,043
Interest income	<u>20</u>	<u>139</u>	<u>159</u>	-	<u>159</u>
Total General Revenues	<u>84,478</u>	<u>591,350</u>	<u>675,828</u>	-	<u>675,828</u>
NET CHANGE IN FUND BALANCE	-	-	-	-	
CHANGE IN NET POSITION				-	-
FUND BALANCE/NET POSITION					
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 78,078	\$ 78,078	\$ 78,078	\$ -
Specific ownership taxes	6,247	6,447	6,380	(67)
Interest income	-	-	20	20
	<u>84,325</u>	<u>84,525</u>	<u>84,478</u>	<u>(47)</u>
Total Revenues				
EXPENDITURES				
Transfer to District No. 1	83,154	83,354	83,351	3
Treasurers' fees	1,171	1,171	1,127	44
	<u>84,325</u>	<u>84,525</u>	<u>84,478</u>	<u>47</u>
Total Expenditures				
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2015

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Fossil Ridge Metropolitan District No. 2 (“District”), located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized October 10, 2006, as a quasi-municipal organization established under the State of Colorado Special District Act. At the time of formation, the Fossil Ridge Metropolitan District No. 1 (“District No. 1”) and the Fossil Ridge Metropolitan District No. 3 (“District No. 3”) were also formed. All three districts are governed by the same Service Plan (as amended by the Second Amended and Restated Service Plan approved by the City of Lakewood on August 27, 2007), which provides that District No. 1 is the “Operating District” and the District and District No. 3 are the “Taxing Districts”. The Taxing Districts are to provide funding to the Operations District for the construction, operation and maintenance of various public improvements and the Operating District is expected to manage such construction, operation and maintenance. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees and all operations and administrative functions are contracted.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2015

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2015

The District reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all the financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs. The resources are transferred to District No. 1 for payment to the bondholders.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Subsequent to year end, the District amended its total appropriations in the General Fund from \$84,325 to \$84,525 primarily due to increased transfers to other Districts and amended its total appropriations in the Debt Service Fund from \$585,000 to \$591,350 primarily due to increased transfers to other Districts.

Assets, Liabilities and Net Position

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2015

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one types of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2015

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2015

Note 2: Long-Term Debt

Joint Funding Agreements

On September 1, 2009, the District entered into a Joint Funding Agreement with Districts No. 1 and No. 3 to provide for the payment to the trustee of certain property taxes and specific ownership taxes collected by the District and No. 3 for the purpose of paying debt service on District No. 1's Series 2009 Bonds. An Amended and Restated Joint Finding Agreement was approved on September 1, 2010 which allowed for the payment of the debt service related to District No. 1's Series 2010 Bonds.

On December 22, 2014, the District entered into a 2014 Joint Funding Agreement with District No. 1 and District No. 3, pursuant to which both the District and District No. 3 will be obligated to impose a required mill levy for the purpose of providing for the payment of District No. 3's Series 2014 Bonds. All revenues payable to the trustee under the Funding Agreements constitute Pledged Revenue pledged to the payment of the Series 2010 Bonds and Series 2014 Bonds on parity.

Debt Authorization

As of December 31, 2015, the District had remaining voted debt authorization of approximately \$712,325,000. The District has not budgeted to issue new debt during 2016. Per the District's Service Plan, the District, in combination with Districts No. 1 and No. 3, cannot issue more than \$91 million in revenue debt, of which \$70 million of such authorization may be allocated to general obligation debt.

Note 3: District Agreements

Master Intergovernmental Agreement

On January 8, 2008, the District entered into a Master Intergovernmental Agreement with District No. 1 and District No. 3. Per the agreement, District No. 1 is to construct, own, maintain and operate the facilities benefiting the District and District No. 3, which may include the borrowing of funds or issuance of revenue bonds. The District and District No. 3 are to pay all costs related to the construction, operation, and maintenance of such facilities, including the payment of amounts owing in connection with bonds issued to finance such facilities. Such financial obligations are to be paid from the District's annual certification of a mill levy, subject to the limitations of the Service Plan and not to exceed 50 mills. The IGA also sets forth certain provisions pertaining to the processes for payment of capital, operations and maintenance costs, review of budgets and project plans, execution of construction contracts, administrative management, establishment of user fees, and the transfers of funds between districts.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2015

Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement

On May 13, 2008, District No. 1 entered into a Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement with Brookfield Residential (Colorado), LLC, formerly Carma (Colorado), Inc., (“Developer”). The agreement provides for the advancement by the Developer of certain moneys for capital improvements, and operating and maintenance costs for an amount not to exceed \$91,000,000. The agreement also provides for the repayment of these advances using bond proceeds and or with any legally available funds. These advances shall bear interest at a rate of 6% per annum from the date of the advance. The agreement also provides for the District No. 1 to acquire any public improvements constructed by the Developer upon receipt of the proper engineer’s certificate as to district eligibility. The repayment obligations by District No. 1 constitute a multiple fiscal year financial obligation and are not subject to annual appropriation. The agreement states that it is between District No. 1 and the Developer. However given the provisions of the Master IGA, the District and District No. 3 are impacted from certain covenants contained therein.

Note 4: Related Party

A majority of the Board of Directors are employees, owners or are otherwise associated with the Developer, and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 5: Tax, Spending and Debt Limitations

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has no General Fund as all operating costs are paid by District No. 1 and therefore has no 3% reserve.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements

December 31, 2015

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

On November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 6: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

SUPPLEMENTAL INFORMATION

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 546,550	\$ 546,550	\$ 546,548	\$ (2)
Specific ownership taxes	38,259	44,609	44,663	54
Interest income	<u>191</u>	<u>191</u>	<u>139</u>	<u>(52)</u>
 Total Revenues	 <u>585,000</u>	 <u>591,350</u>	 <u>591,350</u>	 <u>-</u>
 EXPENDITURES				
Miscellaneous expense	4,000	-	-	-
Transfer to District No. 1	357,613	364,270	364,270	-
Transfer to District No. 3	215,186	219,187	219,187	-
Treasurers' fees	<u>8,201</u>	<u>7,893</u>	<u>7,893</u>	<u>-</u>
 Total Expenditures	 <u>585,000</u>	 <u>591,350</u>	 <u>591,350</u>	 <u>-</u>
 NET CHANGE IN FUND BALANCE	 -	 -	 -	 -
 FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 END OF YEAR	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2015

<u>Year Ended</u> <u>December 31,</u>	<u>Prior</u> <u>Year Assessed</u> <u>Valuation</u> <u>for Current</u> <u>Year Property</u> <u>Tax Levy</u>	<u>Mills Levied</u>			<u>Total Property Tax</u>		<u>Percent</u> <u>Collected</u> <u>to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Contractual</u>	<u>Levied</u>	<u>Collected</u>	
2008	\$ 2,440,570	30.000	0.000	0.000	\$ 73,217	\$ 73,296	100.11%
2009	\$ 3,895,030	0.000	30.000	0.000	\$ 116,851	\$ 121,571	104.04%
2010	\$ 6,656,870	0.000	30.000	0.000	\$ 199,706	\$ 195,884	98.09%
2011	\$ 7,395,640	0.000	30.000	0.000	\$ 221,869	\$ 204,065	91.98%
2012	\$ 10,435,617	0.000	30.000	0.000	\$ 313,069	\$ 312,188	99.72%
2013	\$ 11,679,755	0.000	30.000	0.000	\$ 350,393	\$ 350,391	100.00%
2014	\$ 13,648,409	0.000	30.000	0.000	\$ 409,452	\$ 409,450	100.00%
2015	\$ 15,615,700	5.000	35.000	0.000	\$ 624,628	\$ 624,626	100.00%
Estimated for year ending December 31, 2016	\$ 20,546,882	0.000	35.000	5.000	\$ 821,875		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Financial Statements

Year Ended December 31, 2015

with

Independent Auditors' Report

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L. PAUL GOEDECKE P.C.

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Independent Auditor's Report

Board of Directors
Fossil Ridge Metropolitan District No. 3
Jefferson County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Fossil Ridge Metropolitan District No. 3 as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fossil Ridge Metropolitan District No. 3 as of December 31, 2015, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



L. Paul Goedecke, P.C.
June 28, 2016

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments - restricted	\$ -	\$ 78,816	\$ 78,816	\$ -	\$ 78,816
Receivable from county treasurer	576	4,037	4,613	-	4,613
Due from District No. 2		1,415	1,415		1,415
Property taxes receivable	-	1,076,692	1,076,692	-	1,076,692
Total Assets	<u>\$ 576</u>	<u>\$ 1,160,960</u>	<u>\$ 1,161,536</u>	<u>-</u>	<u>1,161,536</u>
LIABILITIES					
Due to District No. 1	\$ 576	\$ 1,926	\$ 2,502	\$ -	\$ 2,502
Accrued interest on bonds	-	-	-	33,312	33,312
Long-term liabilities:					
Due within one year	-	-	-	175,000	175,000
Due in more than one year	-	-	-	8,940,420	8,940,420
Total Liabilities	<u>576</u>	<u>1,926</u>	<u>2,502</u>	<u>9,148,732</u>	<u>9,151,234</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	-	1,076,692	1,076,692	-	1,076,692
Total Deferred Inflows of Resources	<u>-</u>	<u>1,076,692</u>	<u>1,076,692</u>	<u>-</u>	<u>1,076,692</u>
FUND BALANCE/NET POSITION					
Fund Balance:					
Restricted:					
Debt Service	-	82,342	82,342	(82,342)	-
Total Fund Balance	<u>-</u>	<u>82,342</u>	<u>82,342</u>	<u>(82,342)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 576</u>	<u>\$ 1,160,960</u>	<u>\$ 1,161,536</u>		
Net Position:					
Restricted for:					
Debt Service Fund				82,342	82,342
Unrestricted				(9,148,732)	(9,148,732)
Total Net Position				<u>\$ (9,066,390)</u>	<u>\$ (9,066,390)</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2015

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Transfer to District No. 1 - property taxes	\$ 85,468	\$ 373,815	\$ 373,815	\$ -	\$ 373,815
Treasurers' fees	1,200	8,403	8,403	-	8,403
Bond interest - Series 2014	-	376,425	376,425	4,899	381,324
	<u>86,668</u>	<u>758,643</u>	<u>758,643</u>	<u>4,899</u>	<u>763,542</u>
Total Expenditures					
Net Program Income (Expense)	(86,668)	(758,643)	(758,643)	(4,899)	(763,542)
GENERAL REVENUES					
Property taxes	79,976	559,833	559,833	-	559,833
Specific ownership taxes	6,640	46,484	46,484	-	46,484
Transfer from District No. 2		219,187	219,187		219,187
Interest income	52	385	385	-	385
	<u>86,668</u>	<u>825,889</u>	<u>825,889</u>	<u>-</u>	<u>825,889</u>
Total General Revenues					
NET CHANGE IN FUND BALANCE	-	67,246	67,246	(67,246)	
CHANGE IN NET POSITION				62,347	62,347
FUND BALANCE/NET POSITION					
BEGINNING OF YEAR	-	15,096	15,096	(9,143,833)	(9,128,737)
END OF YEAR	<u>\$ -</u>	<u>\$ 82,342</u>	<u>\$ 82,342</u>	<u>\$ (9,148,732)</u>	<u>\$ (9,066,390)</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 79,991	\$ 79,991	\$ 79,976	\$ (15)
Specific ownership taxes	6,400	7,009	6,640	(369)
Interest income	-	-	52	52
Total Revenues	<u>86,391</u>	<u>87,000</u>	<u>86,668</u>	<u>(332)</u>
EXPENDITURES				
Transfer to District No. 1 - property taxes	85,191	85,800	85,468	332
Treasurers' fees	1,200	1,200	1,200	-
Total Expenditures	<u>86,391</u>	<u>87,000</u>	<u>86,668</u>	<u>332</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
BEGINNING OF YEAR	-	-	-	-
END OF YEAR	\$ -	\$ -	\$ -	\$ -

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2015

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Fossil Ridge Metropolitan District No. 3 (“District”), located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized October 10, 2006, as a quasi-municipal organization established under the State of Colorado Special District Act. At the time of formation, the Fossil Ridge Metropolitan District No. 1 (“District No. 1”) and the Fossil Ridge Metropolitan District No. 2 (“District No. 2”) were also formed. All three districts are governed by the same Service Plan (as amended by the Second Amended and Restated Service Plan approved by the City of Lakewood on August 27, 2007), which provides that District No. 1 is the “Operating District” and the District and District No. 2 are the “Taxing Districts”. The Taxing Districts are to provide funding to the Operations District for the construction, operation and maintenance of various public improvements and the Operating District is expected to manage such construction, operation and maintenance. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees and all operations and administrative functions are contracted.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2015

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2015

The District reports the following major governmental fund:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Subsequent to year end, the District amended its total appropriations in the General Fund from \$86,391 to \$87,000 primarily due to increased transfers to other districts.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2015, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2015

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements

December 31, 2015

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the Debt Service Fund in the amount of \$82,342 is restricted for the payment of the debt service costs associated with the Series 2014 General Obligation Bonds (see Note 3).

Committed Fund Balance

The committed fund balance includes the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2015

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Investments

As of December 31, 2015, investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Investments – Restricted	<u>\$ 78,816</u>

Investments as of December 31, 2015 consist of the following:

Investments – Federated Treasury	<u>\$ 78,816</u>
----------------------------------	------------------

Investments

Credit Risk

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2015

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Federated Treasury Obligations Fund

During 2015, the District's funds that were included in the trust accounts at the UMB Bank were invested in the Federated Treasury Obligations Fund. This fund is a money market fund and each share is equal in value to \$1.00. The fund is AAAM rated and invests exclusively in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. The maturity of the underlying securities is 397 days or less. As of December 31, 2015, the District has \$78,816 invested in the fund, all of which was restricted for the repayment of bond principal and interest.

Note 3: Long-Term Debt

The following is an analysis of changes in long-term debt for the period ending December 31, 2015:

	Balance 01-01-15	Additions	Deletions	Balance 12-31-15	Current Portion
Series 2014 - GO Bonds	\$ 8,715,000	\$ -	\$ -	\$ 8,715,000	\$ 175,000
Series 2014 - premium	418,902	-	18,482	400,420	-
	<u>\$ 9,133,902</u>	<u>\$ -</u>	<u>\$ 18,482</u>	<u>\$ 9,115,420</u>	<u>\$ 175,000</u>

A description of the long-term obligations as of December 31, 2015, is as follows:

\$8,715,000 General Obligation Limited Tax Bonds – Series 2014

On December 22, 2014, the District issued \$8,715,000 of General Obligation Limited Tax Bonds, Series 2014 ("Series 2014 Bonds"). The Series 2014 Bonds are limited tax and special revenue obligations of the District secured and payable from Pledged Revenue consisting of ad valorem taxes and specific ownership taxes collected by the District and District No. 2 as defined by the bond indenture and the 2014 Funding Agreement (see Note 4). The Pledged Revenue is on a parity with certain previously issued Series 2010 Bonds by District No. 1.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2015

The Series 2014 Bonds were issued for the purpose of reimbursing the developer for the costs of certain infrastructure within the Financing Districts. These costs were previously funded by the Developer in accordance with the Reimbursement and Acquisition Agreement (see Note 4). The Series 2014 Bonds mature beginning December 1, 2016. Interest on the Series 2014 Bonds is payable semi-annually on June 1 and December 1 each year commencing June 1, 2015 at a rate that varies from 3.00% to 5.00%. Bonds maturing on or after December 1, 2021, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, on December 1, 2020, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

Pursuant to the indenture, there shall be deposited in a Surplus Fund, Pledged Revenue which is not used for payment of interest on the Series 2014 Bonds and any parity bonds and which are not deposited in the Reserve Fund for the District No. 1 Series 2010 Bonds in each year up to the combined amount of the Series 2010 Maximum Surplus Amount of \$820,000 and the Series 2014 Maximum Amount of \$871,500. At December 31, 2015, the balance in the Series 2014 Surplus Fund is \$76,324.

The following is a summary of the annual long-term debt principal and interest requirements on the Series 2014 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 175,000	\$ 399,744	\$ 574,744
2017	175,000	394,494	569,494
2018	175,000	389,244	564,244
2019	170,000	383,994	553,994
2020	175,000	377,194	552,194
2021 - 2025	875,000	1,780,970	2,655,970
2026 - 2030	875,000	1,605,312	2,480,312
2031 - 2035	870,000	1,423,524	2,293,524
2036 - 2040	870,000	1,219,750	2,089,750
2041 - 2044	<u>4,355,000</u>	<u>557,750</u>	<u>4,912,750</u>
Total	<u>\$ 8,715,000</u>	<u>\$ 8,531,976</u>	<u>\$ 17,246,976</u>

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2015

Debt Authorization

As of December 31, 2015, the District had remaining voted debt authorization of approximately \$704,150,000. The District has not budgeted to issue new debt during 2016. District No. 1 issued \$7,000,000 of Series 2009 Tax-Supported Revenue Bonds and subsequently refunded those bonds with an issue of \$8,350,000 Series 2010 Tax-Supported Revenue Refunding Bonds. The District issued \$8,175,000 Series 2014 General Obligation Bonds. Per the District's Service Plan, the District, in combination with Districts No. 1 and No. 2, cannot issue more than \$91 million in revenue debt, of which \$70 million of such authorization may be allocated to general obligation debt.

Note 4: District Agreements

Joint Funding Agreements

On September 1, 2009, the District entered into a Joint Funding Agreement ("2010 Joint Funding Agreement") with Districts No. 1 and No. 2 to provide for the payment to the trustee of certain property taxes and specific ownership taxes collected by the District and No. 2 for the purpose of paying debt service on District No. 1's Series 2009 Bonds. An Amended and Restated Joint Funding Agreement was approved on September 1, 2010 which allowed for the payment of the debt service related to District No. 1's Series 2010 Bonds.

On December 22, 2014, the District entered into a 2014 Joint Funding Agreement with District No. 1 and District No. 2, pursuant to which both the District and District No. 2 will be obligated to impose a required mill levy for the purpose of providing for the payment of the Series 2014 Bonds. All revenues payable to the trustee under the Funding Agreements constitute Pledged Revenue pledged to the payment of the Series 2010 Bonds and Series 2014 Bonds on parity.

Master Intergovernmental Agreement

On January 8, 2008, the District entered into a Master Intergovernmental Agreement with District No. 1 and District No. 2. Per the agreement, District No. 1 is to construct, own, maintain and operate the facilities benefiting the District and District No. 2, which may include the borrowing of funds or issuance of revenue bonds. The District and District No. 2 are to pay all costs related to the construction, operation, and maintenance of such facilities, including the payment of amounts owing in connection with bonds issued to finance such facilities. Such financial obligations are to be paid from the District's annual certification of a mill levy, subject to the limitations of the Service Plan and not to exceed 50 mills. The IGA also sets forth certain provisions pertaining to the processes for payment of capital, operations and maintenance costs, review of budgets and project plans, execution of construction contracts, administrative management, establishment of user fees, and the transfers of funds between districts.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2015

Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement

On May 13, 2008, District No. 1 entered into a Reimbursement of Developer Loan and Public Infrastructure Acquisition Agreement with Brookfield Residential (Colorado), LLC, formerly Carma (Colorado), Inc. (“Developer”). The agreement provides for the advancement by the Developer of certain moneys for capital improvements, and operating and maintenance costs for an amount not to exceed \$91,000,000. The agreement also provides for the repayment of these advances using bond proceeds and or with any legally available funds. These advances shall bear interest at a rate of 6% per annum from the date of the advance. The agreement also provides for the District No. 1 to acquire any public improvements constructed by the Developer upon receipt of the proper engineer’s certificate as to district eligibility. The repayment obligations by District No. 1 constitute a multiple fiscal year financial obligation and are not subject to annual appropriation. The agreement states that it is between District No. 1 and the Developer. However given the provisions of the Master IGA, the District and District No. 2 are impacted from certain covenants contained therein.

Note 5: Related Party

A majority of the Board of Directors are employees, owners or are otherwise associated with the Developer, and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Tax, Spending and Debt Limitations

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. The District has no General Fund as all operating costs are paid by District No. 1 and therefore has no 3% reserve.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements December 31, 2015

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

On November 7, 2006, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

Notes to Financial Statements
December 31, 2015

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method in the statement of activities; and,
- 2) governmental funds report long-term debt proceeds as revenue and long-term debt payments as expenditures, however, in the statement of activities, these revenues and payments are recorded as changes in long-term liabilities.

SUPPLEMENTAL INFORMATION

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2015

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 559,941	\$ 559,833	\$ (108)
Specific ownership taxes	39,196	46,484	7,288
Transfer from District No. 2	215,186	219,187	4,001
Interest income	<u>463</u>	<u>385</u>	<u>(78)</u>
Total Revenues	<u>814,786</u>	<u>825,889</u>	<u>11,103</u>
EXPENDITURES			
Transfer to District No. 1 - property taxes	367,852	373,815	(5,963)
Miscellaneous expenses	2,000	-	2,000
Treasurers' fees	8,401	8,403	(2)
Bond interest - Series 2014	<u>388,733</u>	<u>376,425</u>	<u>12,308</u>
Total Expenditures	<u>766,986</u>	<u>758,643</u>	<u>8,343</u>
NET CHANGE IN FUND BALANCE	47,800	67,246	19,446
FUND BALANCE:			
BEGINNING OF YEAR	<u>-</u>	<u>15,096</u>	<u>15,096</u>
END OF YEAR	<u>\$ 47,800</u>	<u>\$ 82,342</u>	<u>\$ 34,542</u>

The notes to the financial statements are an integral part of these statements.

FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

December 31, 2015

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<u>Percent Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2008	\$ 5,344,050	30.000	0.000	\$ 160,322	\$ 160,661	100.21%
2009	\$ 6,894,350	0.000	30.000	\$ 206,831	\$ 206,831	100.00%
2010	\$ 8,141,260	0.000	30.000	\$ 244,238	\$ 244,238	100.00%
2011	\$ 8,482,530	0.000	30.000	\$ 254,476	\$ 227,276	89.31%
2012	\$ 10,780,165	0.000	30.000	\$ 323,405	\$ 312,505	96.63%
2013	\$ 11,909,224	0.000	30.000	\$ 357,277	\$ 357,089	99.95%
2014	\$ 15,585,624	0.000	30.000	\$ 467,569	\$ 467,097	99.90%
2015	\$ 15,998,305	5.000	35.000	\$ 639,932	\$ 639,809	99.98%
Estimated for year ending December 31, 2016	\$ 26,917,310	0.000	40.000	\$ 1,076,692		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

APPENDIX B

FORMS OF CONTINUING DISCLOSURE UNDERTAKINGS

FORM OF CONTINUING DISCLOSURE UNDERTAKING FOSSIL RIDGE METROPOLITAN DISTRICT NO. 3

This Continuing Disclosure Undertaking (this “Undertaking”) is executed and delivered, as of December 21, 2016, by the Fossil Ridge Metropolitan District No. 3 (the “District”), in the City of Lakewood, in Jefferson County, Colorado (the “State”) in connection with the issuance of \$12,415,000 aggregate principal amount of General Obligation Limited Tax Bonds, Series 2016 (the “Bonds”). The Bonds are being issued pursuant to a resolution of the Board of Directors of the District (the “Resolution”) adopted prior to the issuance of the Bonds and an Indenture of Trust dated as of December 1, 2016 (the “Indenture”), between the District and UMB Bank, n.a., as trustee. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Resolution and the Indenture.

In consideration of the issuance of the Bonds by the District and the purchase of such Bonds by the owners thereof, the District hereby covenants and agrees as follows:

Section 1. Purpose of this Undertaking. This Undertaking is executed and delivered by the District as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below).

Section 2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I, including any portion thereof provided by District No. 2 to the District, as more particularly provided the Continuing Disclosure Undertaking executed by District No. 2 in connection with the Bonds.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4 hereof.

“*Audited Financial Statements*” means the audited consolidated financial statements of the District and District No. 2, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means, initially the District, or any successor agent designated as such in writing by the District and which has filed with the District a written acceptance of such designation, and such agent’s successors and assigns.

“*District No. 2*” means Fossil Ridge Metropolitan District No. 2, in the City of Lakewood, Jefferson County, Colorado.

“*District No. 2 Material Events Disclosure*” means a notice of a Material Event pertaining to District No. 2 and provided by District No. 2 to the District, as more particularly provided the Continuing Disclosure Undertaking executed by District No. 2 in connection with the Bonds.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Material Event*” means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Colorado.

“*Undertaking*” means the obligations of the District pursuant to Sections 4, 5 and 6.

Section 3. CUSIP Number/Final Official Statement. The final CUSIP ^{1, ©} of the Bonds is 34988C AV0. The final Official Statement relating to the Bonds is dated December 14, 2016 (the “Final Official Statement”).

Section 4. Annual Financial Information Disclosure. Subject to Section 10 of this Undertaking, the District hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by the District’s delivery of such Annual Financial Information and Audited Financial Statements to the MSRB within 210 days of the completion date of the District’s fiscal year.

The District is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

¹ The District takes no responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of owners of the Bonds.

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If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the District will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

Section 5. Material Events Disclosure. Subject to Section 10 of this Undertaking, the District hereby covenants that it will disseminate in a timely manner: (i) not in excess of 10 Business Days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form; and (ii) not in excess of 10 days after notice thereof is provided to the District, a District No. 2 Material Events Disclosure. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Undertaking any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Bonds pursuant to the Resolution. From and after the Effective Date, the District is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Undertaking.

Section 6. Duty To Update EMMA/MSRB. The District shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 7. Consequences of Failure of the District to Provide Information. The District shall give notice in a timely manner, not in excess of 10 Business Days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the District to comply with any provision of this Undertaking, the Bondholder of any Bond may seek specific performance by court order to cause the District to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an Event of Default under the Resolution, the Indenture or any other agreement, and the sole remedy under this Undertaking in the event of any failure of the District to comply with this Undertaking shall be an action to compel performance.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the District may amend this Undertaking, and any provision of this Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District or type of business conducted;

(ii) This Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Bonds, as determined either by parties unaffiliated with the District or the District (such as the Paying Agent) or by an approving vote of the Bondholder Representative or of the Bondholders of the Bonds holding a majority of the aggregate principal amount of the

Bonds (excluding Bonds held by or on behalf of the District or its affiliates) at the time of the amendment, pursuant to the terms of the Resolution; or

- (iv) The amendment or waiver is otherwise permitted by the Rule.

Section 9. Termination of Undertaking. The District's obligations hereunder shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the District shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds. The District shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Section 10. Dissemination Agent. The Dissemination Agent shall transmit all information delivered to it by the District hereunder to the MSRB as provided in this Undertaking. The District may, from time to time, appoint or engage a substitute Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Undertaking, the District shall not have any obligation under this Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

Section 12. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the Dissemination Agent, if any, the District, the Bondholder Representative and the Bondholders of the Bonds, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. The District shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 14. Governing Law. This Undertaking shall be governed by the laws of the State.

This Continuing Disclosure Undertaking is executed as of the date first above written.

**FOSSIL RIDGE METROPOLITAN DISTRICT
NO. 3**

Attest

By

President

By

Secretary

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“*Annual Financial Information*” means financial information and operating data exclusive of Audited Financial Statements as set forth below of the type appearing or incorporated by reference in Tables II through XXIV in the Final Official Statement. Annual Financial Information will also include the amount on deposit in the Surplus Fund as of December 1 of the year for which the Audited Financial Statements are provided.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission, and such information need not be provided in the exact format as shown in the Final Official Statement. The District shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 210 days after the last day of the District’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 Business Days after availability to the District.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Undertaking, including for this purpose a change made to the fiscal year-end of the District or District No. 2, the District will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Nonpayment-related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the District*
13. The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material.

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

[End of Form of Continuing Disclosure Undertaking Fossil Ridge Metropolitan District No. 3]

**FORM OF CONTINUING DISCLOSURE UNDERTAKING
FOSSIL RIDGE METROPOLITAN DISTRICT NO. 2**

This Continuing Disclosure Undertaking (this “Undertaking”) is executed and delivered, as of December 21, 2016, by the Fossil Ridge Metropolitan District No. 2 (the “District”), in the City of Lakewood, in Jefferson County, Colorado (the “State”) in connection with the issuance by the Fossil Ridge Metropolitan District No. 3 (“District No. 3”), in the City of Lakewood, in Jefferson County, Colorado, of \$12,415,000 aggregate principal amount of General Obligation Limited Tax Bonds, Series 2016 (the “Bonds”). The Bonds are being issued pursuant to a resolution of the Board of Directors of District No. 3 (the “Resolution”) adopted prior to the issuance of the Bonds and an Indenture of Trust dated as of December 1, 2016 (the “Indenture”), between District No. 3 and UMB Bank, n.a., as trustee. Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Resolution and the Indenture. Reference is made to the Continuing Disclosure Undertaking executed by District No. 3 as of the date hereof, pursuant to which District No. 3 has agreed to provide certain information to the MSRB, including the information required herein to be provided by the District.

In consideration of the issuance of the Bonds by District No. 3 and the purchase of such Bonds by the owners thereof, the District hereby covenants and agrees as follows:

Section 1. Purpose of this Undertaking. This Undertaking is executed and delivered by the District as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below).

Section 2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4 hereof.

“*Audited Financial Statements*” means the audited consolidated financial statements of the District, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means, initially the District, or any successor agent designated as such in writing by the District and which has filed with the District a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Material Event*” means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 5.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Colorado.

“*Undertaking*” means the obligations of the District pursuant to Sections 4, 5 and 6.

Section 3. CUSIP Number/Final Official Statement. The final CUSIP ² © of the Bonds is 34988C AV0. The final Official Statement relating to the Bonds is dated December 14, 2016 (the “Final Official Statement”).

Section 4. Annual Financial Information Disclosure. Subject to Section 10 of this Undertaking, the District hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by the District’s delivery of such Annual Financial Information and Audited Financial Statements to District No. 3 (for dissemination to the MSRB) within 210 days of the completion date of the District’s fiscal year.

The District is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the District will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a

² The District takes no responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of owners of the Bonds.

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narrative description of the reasons for such amendment and its impact on the type of information being provided.

Section 5. Material Events Disclosure. Subject to Section 10 of this Undertaking, the District hereby covenants that it will disseminate in a timely manner, not in excess of 10 Business Days after the occurrence of the event, Material Events Disclosure to District No. 3 (for dissemination to the MSRB) in Prescribed Form. From and after the Effective Date, the District is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Undertaking.

Section 6. Duty To Update EMMA/MSRB. The District shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with District No. 3 (for dissemination to the MSRB).

Section 7. Consequences of Failure of the District to Provide Information. The District shall give notice in a timely manner, not in excess of 10 Business Days after the occurrence of the event, to District No. 3 (for provision to the MSRB) in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the District to comply with any provision of this Undertaking, the Bondholder of any Bond may seek specific performance by court order to cause the District to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an Event of Default under the Resolution, the Indenture or any other agreement, and the sole remedy under this Undertaking in the event of any failure of the District to comply with this Undertaking shall be an action to compel performance.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the District may amend this Undertaking, and any provision of this Undertaking may be waived, if:

(i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the District or type of business conducted;

(ii) This Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Bonds, as determined either by parties unaffiliated with the District (such as the Trustee) or by an approving vote of the Bondholder Representative or of the Bondholders of the Bonds holding a majority of the aggregate principal amount of the Bonds (excluding Bonds held by or on behalf of the District or District No. 3 or its affiliates) at the time of the amendment, pursuant to the terms of the Resolution; or

(iv) The amendment or waiver is otherwise permitted by the Rule.

Section 9. Termination of Undertaking. The District's obligations hereunder shall terminate upon the earliest of: (i) the date of legal defeasance, prior redemption or payment in full of all of the Bonds; (ii) the date that the District shall no longer constitute an "obligated person" within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this written undertaking are held to be invalid by a court of competent jurisdiction in a non-appealable action, have been repealed

retroactively or otherwise do not apply to the Bonds. The District shall give notice to District No. 3 (for dissemination to the MSRB) in a timely manner and in Prescribed Form if this Section is applicable.

Section 10. Dissemination Agent. The Dissemination Agent shall transmit all information delivered to it by the District hereunder to the MSRB as provided in this Undertaking. The District may, from time to time, appoint or engage a substitute Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the District chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Undertaking, the District shall not have any obligation under this Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

Section 12. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of District No. 3, the Dissemination Agent, if any, the District, the Bondholder Representative and the Bondholders of the Bonds, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. The District shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 14. Governing Law. This Undertaking shall be governed by the laws of the State.

This Continuing Disclosure Undertaking is executed as of the date first above written.

**FOSSIL RIDGE METROPOLITAN DISTRICT
NO. 2**

Attest

By

President

By

Secretary

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

“*Annual Financial Information*” means financial information and operating data exclusive of Audited Financial Statements of the type appearing or incorporated by reference in Tables II through XXIV in the Final Official Statement, but solely to the extent pertaining to financial information and data relating to the District.

All or a portion of the Annual Financial Information and the Audited Financial Statements may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission, and such information need not be provided in the exact format as shown in the Final Official Statement. The District shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB within 210 days after the last day of the District’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 Business Days after availability to the District.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Undertaking, including for this purpose a change made to the fiscal year-end of the District, the District will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

EXHIBIT II

EVENTS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED¹

1. Bankruptcy, insolvency, receivership or similar event of the District*
2. The consummation of a merger, consolidation or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

¹ The District notes that, as the issuer of the Bonds, District No. 3 has undertaken to provide notice of other events relating to the Bonds, in accordance with the Rule.

[End of Form of Continuing Disclosure Undertaking Fossil Ridge Metropolitan District No. 2]

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the area within which the Districts are located. The statistics presented below have been obtained from the referenced sources and represent the most current information available from such sources; however, certain of the information is released only after a significant amount of time has passed since the most recent date of the reported data and therefore, such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information not presented herein may be available concerning the area in which the Districts are located and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the Districts or their officers, employees, or advisors.*

Population

The following table sets forth population statistics for the City of Lakewood (the “City”), Jefferson County (the “County”), the Denver metropolitan statistical area (comprised of Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas and Jefferson counties) (the “DMSA”) and the State of Colorado (the “State”).

Population								
Year	Lakewood	Percent Change	Jefferson County	Percent Change	DMSA	Percent Change	Colorado	Percent Change
1970	92,787	--	235,300	--	1,238,273	--	2,207,259	--
1980	112,860	21.63%	371,753	57.99%	1,618,461	30.70%	2,889,964	30.93%
1990	126,481	8.99	438,430	17.94	1,848,319	14.20	3,294,394	13.99
2000	144,126	17.17	527,056	20.21	2,401,501	29.93	4,301,261	30.56
2010	142,980	(0.80)	534,543	1.42	2,784,228	15.94	5,029,196	16.92
2015 ¹	153,024	7.02	565,230	5.74	3,075,701	10.47	5,456,584	8.50

¹ Estimate.

Sources: U.S. Department of Commerce, Bureau of the Census, and Colorado Division of Local Government, Demography Section

Housing Stock

The following table sets forth a comparison of housing units within the City and the County.

Housing Units			
	2000	2010	2014¹
City of Lakewood	62,422	65,758	67,173
Jefferson County	212,488	229,967	234,346

¹ Estimated.

Source: U.S. Department of Commerce, Bureau of the Census and Colorado Department of Local Affairs

Income

The following tables set forth historical median household effective buying income (“EBI”), the percentage of households by classification of EBI and per capita personal income for the County, the State and the United States.

Median Household Effective Buying Income¹

	2012	2013	2014 ¹	2015	2016
Jefferson County	\$51,001	\$51,024	\$53,448	\$56,870	\$59,544
Colorado	43,515	43,718	47,469	49,949	52,345
United States	41,253	41,358	43,715	45,448	46,738

¹ As of January 1.

Source: The Nielsen Company, *Site Reports, 2012-2016*

Percent of Households by Effective Buying Income—2016¹

	Less Than \$25,000	\$25,000- \$49,999	\$50,000- \$99,999	\$100,000- \$149,999	\$150,000 or more
Jefferson County	16.33%	25.43%	36.64%	14.09%	7.51%
Colorado	20.38	27.70	33.85	11.61	6.45
United States	24.81	28.82	31.30	9.45	5.62

¹ As of January 1. May not total 100% due to rounding.

Source: The Nielsen Company, *Site Reports, 2016*

Per Capita Personal Income

	2011	2012	2013	2014	2015
Jefferson County	\$43,082	\$44,671	\$46,392	\$48,917	\$51,264
Colorado	42,946	45,073	46,792	49,768	50,899
United States	42,453	44,267	44,462	46,414	48,112

Source: Bureau of Economic Analysis, U.S. Department of Commerce

School Enrollment

The following table presents a five-year history of school enrollment for Jefferson County School District No. R-1, the school district serving the Districts’ residents.

School District Enrollment

Year	Enrollment	Percent Change
2012-13	85,508	--
2013-14	85,983	0.56%
2014-15	86,547	0.66
2015-16	86,708	0.19
2016-17	86,361	(0.40)

Source: Colorado Department of Education and the school district

Building Permit Activity

Set forth hereafter is a five year history of building permit activity in the City and the unincorporated portions of the County.

**History of Building Permit Activity
City of Lakewood ¹**

Year	Single Family		Multi-Family		Commercial/Industrial	
	Permits	Valuation	Permits	Valuation	Permits	Valuation
2011	109	\$36,103,907	0	--	4	\$ 2,408,445
2012	166	53,520,907	47	\$ 7,539,243	12	18,627,986
2013	229	68,894,709	20	3,833,728	9	7,603,100
2014	175	56,665,811	23	4,826,323	10	47,001,675
2015	169	61,056,769	91	34,308,845	8	7,338,798
2016 ¹	169	53,003,678	34	28,142,646	14	58,448,792

¹ Building permits issued as of October 31, 2016.
Source: City of Lakewood Building Department

History of Building Permit Issuance for New Structures in Unincorporated Jefferson County

Year	Single Family		Multi-Family		Commercial/Industrial	
	Permits	Valuation	Permits	Valuation	Permits	Valuation
2011	119	\$ 36,305,880	24	\$ 4,735,995	4	\$ 2,413,846
2012	204	58,927,757	42	10,535,774	5	3,805,999
2013	197	60,908,402	29	6,082,492	10	15,260,163
2014	280	87,313,068	25	31,713,967	5	1,084,930
2015	354	111,374,080	42	8,860,649	20	41,552,231
2016 ¹	322	102,014,865	46	59,215,723	13	20,614,082

¹ Building permits issued through October 31, 2016.
Source: Jefferson County Building Department

Foreclosure Activity

The following table sets forth historical foreclosure activity in the County.

History of Foreclosures

Year	Number of Foreclosures Filed	Percent Change
2011	2,856	--
2012	2,650	(7.21)%
2013	1,303	(50.83)
2014	978	(24.94)
2015	611	(37.53)
2016 ¹	436	--

¹ Foreclosures filed through October 31, 2016.
Sources: Jefferson County Public Trustee's Office

Retail Sales

The retail trade sector employs a large portion of the county's work force and is important to the area's economy. The following table sets forth recent retail sales figures the City, the County, the DMSA and the State.

Retail Sales

Year	City of Lakewood	Percent Change	Jefferson County	Percent Change	Colorado	Percent Change
2011	\$4,331,658,805	--	\$13,439,270,073	--	\$154,697,942,972	--
2012	5,358,991,642	23.7%	14,978,740,487	11.5%	164,387,648,458	6.3%
2013	5,714,129,862	6.6	15,929,705,978	6.3	172,784,033,081	5.1
2014	6,046,065,305	5.8	16,602,607,111	4.2	182,374,956,947	5.6
2015	6,394,313,941	5.8	17,097,573,722	3.0	182,836,468,711	0.3

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

Employment

The following tables set forth recent employment statistics by industry for the County and historical labor force estimates and major employers with respect to the Denver metropolitan area.

Total Business Establishments and Employment—Jefferson County

Industry ¹	First Quarter 2015		First Quarter 2016		Quarterly Change	
	Units	Average Employment	Units	Average Employment	Units	Average Employment
Agriculture, Forestry, Fishing and Hunting	49	469	50	560	1	91
Mining	99	391	94	347	(5)	(44)
Utilities	30	857	30	789	0	(68)
Construction	1,943	13,693	2,056	14,094	113	401
Manufacturing	491	17,309	511	18,728	20	1,419
Wholesale Trade	1,509	7,198	1,534	7,172	25	(26)
Retail Trade	1,743	27,976	1,787	28,906	44	930
Transportation and Warehousing	236	2,635	254	2,554	18	(81)
Information	289	4,042	303	4,327	14	285
Finance and Insurance	1,168	7,523	1,207	7,575	39	52
Real Estate, Rental and Leasing	907	3,368	928	3,597	21	229
Professional and Technical Services	3,921	21,713	4,116	21,565	195	(148)
Management of Companies and Enterprises	195	2,322	215	2,335	20	13
Administrative and Waste Services	1,104	11,706	1,173	12,779	69	1,073
Educational Services	312	3,046	338	3,223	26	177
Health Care and Social Assistance	1,576	32,384	1,663	32,871	87	487
Arts, Entertainment and Recreation	257	2,562	259	2,513	2	(49)
Accommodation and Food Services	1,150	21,807	1,190	23,049	40	1,242
Other Services	1,477	6,941	1,548	7,059	71	118
Non-classifiable	27	33	21	41	(6)	8
Government	179	34,531	176	34,733	(3)	202
Total	<u>18,662</u>	<u>222,507</u>	<u>19,453</u>	<u>228,819</u>	<u>(791)</u>	<u>6,312</u>

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

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

Labor Force Estimates

Year	Jefferson County		Colorado	
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed
2011	302,402	8.0%	2,736,079	8.4%
2012	304,546	7.4	2,759,437	7.9
2013	306,696	6.2	2,780,536	6.8
2014	309,122	4.5	2,815,200	5.0
2015	311,470	3.5	2,828,529	3.9
2016 ¹	318,399	3.1	2,887,356	3.4

¹ Labor force average through September 30, 2016.

Source: State of Colorado, Division of Employment and Training

Selected major employers in the Denver metropolitan area are set forth in the following table. No independent investigation has been made of, and there can be no representation as to, the stability or financial condition of the companies listed below, or the likelihood that such companies will maintain their status as major employers.

Selected Major Employers in the Denver Metropolitan Area ¹

Firm	Product or Service	Estimated Number of Employees
Federal Government	Federal Government	36,398
State of Colorado	State Government	31,398
Wal-Mart Stores Inc.	Retail Discount Variety and Grocery	26,491
University of Colorado System	University and Health Care Services	20,249
Centura Health	Nonprofit Health System	15,751
Denver Public School District No. 1	Education	11,932
City & County of Denver	City Government	11,697
Jefferson County Public Schools	Education	11,505
HCA-HealthOne LLC	Health Care	10,026
King Soopers	Grocery Stores	9,490

¹ As of December 31, 2015.

Source: *Denver Business Journal*, July 15-21, 2016

APPENDIX D

FORM OF BOND COUNSEL OPINION

December 21, 2016

Fossil Ridge Metropolitan District
Lakewood, Colorado

UMB Bank, n.a.
Denver, Colorado

\$12,415,000
FOSSIL RIDGE METROPOLITAN DISTRICT
(Jefferson County, Colorado)
General Obligation Limited Tax Bonds
Series 2016

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by Fossil Ridge Metropolitan District (the "District") of its General Obligation Limited Tax Bonds, Series 2016, in the aggregate principal amount of \$12,415,000 (the "Bonds") pursuant to a resolution of the Board of Directors of the District adopted on December 7, 2016 ("the Resolution") an Indenture of Trust ("Indenture") dated December 1, 2016 by and between the District and UMB Bank, n.a. and applicable Colorado law. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Indenture and the Resolution.

We have examined and relied on originals or copies certified or otherwise identified to our satisfaction of such documents, instruments, corporate records, certificates, opinions and letters, and have conducted such investigations of law as we have deemed necessary to render the opinions set forth herein, including, without limitation, representations of the District and others as to (i) the nature, use, cost and economic life of the facilities being refinanced with proceeds of the Bonds, (ii) the intended application of the proceeds of the Bonds, and (iii) other matters relating to the exclusion of the interest on the Bonds from gross income for federal income tax purposes. We have not made any independent inquiry to verify the accuracy of factual information set forth in such documents, instruments, corporate records, certificates, opinions and letters, and nothing has come to our attention which has led us to conclude that such information, taken as a whole, is materially inaccurate.

We have assumed the genuineness of all signatures on, and the legal capacity of all individuals who have executed, the documents we have reviewed; the authenticity of all such documents submitted to us as originals; the conformity with authentic originals of all such documents submitted to us as copies; and, the due authority of the parties and their respective representatives executing such documents.

With your consent, we have also relied upon and assumed the accuracy of the opinion of White Bear Ankele Tanaka & Waldron, Professional Corporation, general counsel to the District, of even date herewith, with respect to the due organization and existence of the District, the absence of litigation or similar claims against the District and the due adoption of the Resolution by the District approving the issuance of the Bonds.

Based upon the foregoing, we are of the opinions, under existing law, as follows:

1. The Bonds are valid and binding limited tax general obligations of the District, payable solely from the Pledged Revenue and from funds and accounts pledged therefor under the Indenture.

2. All of the taxable property of the District is subject to the levy of an ad valorem tax, in the amount of the Required Mill Levy, for the purpose of paying the Bonds.

3. Assuming due authorization, execution, and delivery by the Trustee, the Indenture constitutes a valid and binding obligation of the District.

4. The Indenture creates a valid lien on the Pledged Revenue and on the funds and accounts pledged therein for the security of the Bonds, subject to the provisions, conditions, and limitations contained in the Indenture. We express no opinion regarding the priority of the lien on the Pledged Revenue or on the funds and accounts created by the Indenture.

5. Under the laws, regulations, rulings and judicial decisions existing on the date hereof, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence assume the accuracy of certain representations by the District and continuing compliance by the District with certain requirements of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder, that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Bonds. The District has covenanted in the Tax Compliance Certificate executed and delivered by the District in connection with the issuance of the Bonds to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. We note, however, that interest on the Bonds is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

6. Interest on the Bonds is exempt from Colorado income taxes and is not a specific preference item for purposes of the State of Colorado alternative minimum tax for any period during which interest on the Bonds is not included in gross income for federal income tax purposes.

Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to owners of the Bonds. In addition, we express no opinion herein regarding applicability of, or compliance with, any federal or state securities laws.

This letter is furnished by us as Bond Counsel, is solely for the benefit of the addressees and may not be relied upon by any other person or entity. Our opinion is rendered only with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or any other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. We disclaim any obligation to update, revise or supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in the law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever. It should be noted that we are members of the Bar of the State of Colorado and this opinion is limited in all respects to matters of Colorado and federal law. Our opinion herein is not to be used, circulated, quoted or otherwise referred to for any other purpose without our express written permission, except that this opinion may be included in the Official Statement and the official transcript of proceedings relating to the issuance and sale of the Bonds on the date hereof.

Very truly yours,

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company (“DTC”) New York, NY and DTC’s book-entry-only system has been obtained from DTC, and the District and the Underwriter take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, as set forth on the cover page hereof, in the aggregate principal amount of each maturity of the Bonds and deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation & 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 an S&P Global Ratings 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 and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry-system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership.

DTC has no knowledge of the actual Beneficial Owners of 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 remain responsible for keeping accounts 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 the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds are to 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 Paying Agent, 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 Paying Agent or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender or Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender or Remarketing Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit for tendered Bonds to Tender or Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in

the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

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