

STONE CREEK METROPOLITAN DISTRICT
DISCLOSURE TO PURCHASERS

This Disclosure to Purchasers has been prepared by Stone Creek Metropolitan District (the “**District**”) to provide prospective property owners with general information regarding the District and its operations. This Disclosure to Purchasers is intended to provide an overview of pertinent information related to the District and does not purport to be comprehensive or definitive. You are encouraged to independently confirm the accuracy and completeness of all statements contained herein.

DISTRICT’S POWERS

The powers of the District as authorized by Section 32-1-1004, C.R.S. and under its Service Plan, as approved by the Board of County Commissioners of Douglas County, Colorado (the “**County**”) on September 23, 2014 (the “**Service Plan**”), are to plan for, design, finance, acquire, construct, install, relocate, and/or redevelop certain public improvements, including, but not limited to, street improvements, safety controls, water improvements, sanitation improvements, stormwater improvements, park and recreation improvements, mosquito control, and covenant enforcement and design review services to the District.

DISTRICT’S SERVICE PLAN

The District’s Service Plan, which can be amended from time to time, includes a description of the District’s powers and authority. A copy of the District’s Service Plan is available from the Division of Local Government in the State Department of Local Affairs (the “**Division**”).

The District is authorized by Title 32 of the Colorado Revised Statutes to use a number of methods to raise revenues for capital needs and general operations costs. These methods, subject to the limitations imposed by Section 20 of Article X of the Colorado Constitution (“**TABOR**”), include issuing debt, levying taxes, and imposing fees and charges. Information concerning District directors, management, meetings, elections, and current taxes are provided annually in the Notice to Electors described in Section 32-1-809(1), C.R.S., which can be found at the office of General Counsel for the District, on file at the Division, or on file at the office of the Clerk and Recorder of Douglas County.

DEBT AND DEBT AUTHORIZATION

Pursuant to its Service Plan, the District has authority to issue up to Eighteen Million Dollars (\$18,000,000) of debt to provide and pay for public infrastructure improvement costs. Any debt issued by the District will be repaid through ad valorem property taxes, from a District imposed debt service mill levy on all taxable property of the District, together with any other legally available revenues of the District.

On March 6, 2018, the District issued its \$8,275,000 General Obligation Limited Tax Bonds, Series 2018A (the “**2018A Bonds**”) and its \$1,195,000 Subordinate General Obligation Limited Tax Bonds, Series 2018B (the “**2018B Bonds**”). The 2018A Bonds mature on December 1, 2047, and are subject to 5.625% interest, payable on June 1 and December 1 of each year,

commencing June 1, 2018, until the 2018A Bonds are paid. Principal payments on the 2018A Bonds are due on December 1 of each year, commencing December 1, 2022, until the 2018A Bonds are paid. The 2018B Bonds mature on December 15, 2047, and are subject to 7.875% interest, payable on December 15 of each year, commencing December 15, 2018, until the 2018B Bonds are paid. The 2018B Bonds are structured as “cash flow” bonds, meaning that there are no scheduled payments of principal thereof prior to the final maturity date. The District covenanted to levy an ad valorem mill levy upon all taxable property in the District in an amount not to exceed 55.277 mills (as adjusted per the Gallagher Adjustment, described below) to pay the 2018A Bonds and 2018B Bonds

TAXES AND FEES IMPOSED ON PROPERTIES WITHIN THE DISTRICT

Ad Valorem Property Taxes

The District’s primary source of revenue is from property taxes imposed on property within the District. Along with other taxing entities, the District certifies a mill levy by December 15th of each year which determines the taxes paid by each property owner in the following year. The District imposed a total combined Mill Levy of 66.332 for tax collection year 2019 (as described below). The total overlapping mill levy for the property within the District for tax collection year 2019 is 153.876 mills (inclusive of the District’s Mill Levy), as described in the “Overlapping Mill Levy” section below.

The various mill levies described in this Disclosure to Purchasers are examples only and were the mill levies certified in 2018, for collection in 2019. The mill levies certified for collection in future years may change.

Debt Service Mill Levy

The maximum debt service mill levy the District is permitted to impose under the Service Plan (“**Debt Mill Levy Cap**”) upon the taxable property of the District for payment of debt is fifty (50) mills. The Debt Mill Levy Cap may be adjusted due to changes in the statutory or constitutional method of assessing property tax or in the assessment ratio (the “**Gallagher Adjustment**”). The purpose of the Gallagher Adjustment is to assure, to the extent possible, that the actual tax revenues generated by the mill levy are neither decreased nor increased, as shown in the example below. The State Legislature adjusted the residential assessment ratio for 2017, for collection in 2018, from 7.96% to 7.2%. Therefore, for collection year 2018, the District adjusted the Debt Mill Levy Cap from 50.000 mills to 55.277 mills. For tax collection year 2019, the District again certified a Debt Service Mill Levy of 55.277 mills.

THE FOLLOWING EXAMPLE IS PROVIDED SOLELY FOR THE PURPOSE OF ILLUSTRATION AND IS NOT TO BE INTERPRETED AS A REPRESENTATION OF ANY ACTUAL CURRENT OR FUTURE VALUE INCLUDING, BUT NOT LIMITED TO, ANY ACTUAL VALUE, ASSESSMENT RATIO, OR MILL LEVY.

***District Property Tax (Debt Service Mill Levy ONLY) Calculation Example-
Reduction in Residential Assessment Ratio***

Tax Collection Year	Actual Value (V)	Assessment Ratio (R)	Assessed Value (AV) [V x R = AV]	Mill Levy ¹ /Rate ² (M)	Amount of District Tax Due [AV x M]
(a) 2017	\$500,000	7.96%	\$39,800	50.000/0.05000	\$1,990
(b) 2018-2019	\$500,000	7.20%	\$36,000	55.277/0.055277	\$1,990
(c) 2020	\$500,000	6.9%	\$34,500	57.681/.057681	\$1,990

¹ Based on a projected mill levy, not a representation of any actual current or future mill levy

² Each mill is equal to 1/1000th of a dollar

(a) If in 2017 the Actual Value of the Property was \$500,000, and the Residential Assessment Ratio established by the State Legislature for that year was 7.96%, the Assessed Value of the Property was \$39,800 (i.e., \$500,000 x 7.96% = \$39,800). Therefore, the District's certified debt service of 50.000 mills generated approximately \$1,990 in revenue for the District.

(b) If in 2018 the Actual Value of the Property remains at \$500,000, based upon the State Legislature's determination to change the Residential Assessment Ratio for 2017 (for collection in 2018) to 7.2%, the Assessed Value would be \$36,000 (i.e., \$500,000 x 7.2% = \$36,000). Therefore, the District needs to certify a debt service mill levy of 55.277 mills in order to generate the same revenue in 2018 that it received from the 2017 debt service mill levy.

(c) If in 2020, the Actual Value of the Property remains at \$500,000, *but if the State Legislature should determine to change the Residential Assessment Ratio for that year to 6.9%*, the Assessed Value would be \$34,500 (i.e., \$500,000 x 6.9% = \$34,500). Therefore, the District would need to certify a 57.681 debt service mill levy in order to generate the same revenue in 2020 that it received from the 2017 debt service mill levy.

Operations and Maintenance Mill Levy

In addition to imposing a debt service mill levy, the District is also authorized by the Service Plan to impose a separate mill levy to generate revenues for the provision of administrative, operations and maintenance services. The maximum operations and maintenance mill levy the District is permitted to impose under the Service Plan ("**O&M Mill Levy Cap**") upon the taxable property of the District is ten (10) mills. The O&M Mill Levy Cap is also subject to the Gallagher Adjustment. The purpose of such adjustment is to assure, to the extent possible, that the actual tax revenues generated by the mill levy are neither decreased nor increased, as described above.

The District operates in place of an owners' association to provide covenant enforcement and design review services, as well as providing for the operation and maintenance of the park and

recreation improvements within the District (including, without limitation, the landscaping of certain street improvements and the operations and maintenance of Clubhouse and Pool Facilities, described below), with the imposition of the operations and maintenance mill levy. For tax collection year 2019, the District adjusted the O&M Mill Levy Cap from 10.000 mills to 11.055 mills per the Gallagher Adjustment.

District Property Tax (Operations and Maintenance Mill Levy Only) Calculation Example

Tax Collection Year	Actual Value (V)	Assessment Ratio ®	Assessed Value (AV) [V x R = AV]	Mill Levy ¹ /Rate ² (M)	Amount of District Tax Due [AV x M]
(a) 2017	\$500,000	7.96%	\$39,800	10.000/0.010000	\$398.00
(b) 2019	\$500,000	7.2%	\$36,000	11.055/0.011055	\$398.00
(c) 2020	\$500,000	6.9%	\$34,500	11.536/.011536	\$398.00

¹ Based on a projected mill levy, not a representation of any actual current or future mill levy

² Each mill is equal to 1/1000th of a dollar

There are several benefits to the use of a metropolitan district as opposed to, or in cooperation with, an owners' association, including, but not limited to the following:

(a) Cost Efficiency. Metropolitan districts fund their operations from revenues generated from real property taxes while homeowner's associations assess dues and collect them from property owners. A metropolitan district can, therefore, operate more efficiently than an owners' association as the collection of taxes is significantly more effective than separately billing individual homeowners, and dealing with the collection efforts.

(a) Homeowner Savings. Out of pocket expenses for the homeowner are generally significantly less when paid through ad valorem tax as opposed to owners' association dues.

(b) Transparency. A metropolitan district is subject to various regulatory requirements that an owners' association is not, such as annual reporting of budgets and audited financials; annual audits, or audit exemptions, are required, not just recommended as with an owners' association.

Overlapping Mill Levies

In addition to the District's imposed mill levies for debt and operations as described above, the property located within the District is also subject to additional "overlapping" mill levies from additional taxing authorities. The overlapping mill levy for tax collection year 2019, for the property within the District, inclusive of the District's imposed mill levies, is 153.876. Mill levies are certified in December of each year, and generally published by the County by the end of the first quarter. The breakdown of the overlapping mill levy for tax collection year 2019 is as follows:

Taxing Authority	Levy
Cherry Creek Basin Water Quality Authority	0.479
Denver Southeast Suburban Water and Sanitation District (d/b/a Pinery Water and Wastewater District)	0.000
Douglas County	19.774
Douglas County Law Enforcement	4.500
Douglas County Public Library District	4.008
Douglas County School District RE-1	36.896
Douglas County Schools – Debt Service	8.054
Douglas County Soil Conservation District	0.000
Franktown Fire Protection District	13.013
Regional Transportation District	0.000
Urban Drainage and Flood Control District	0.726
Urban Drainage and Flood Control District-South Platte	0.094
Douglas County Schools – Cap Reserve	0.000
Douglas County Schools – Insurance Reserve	0.000
Regional Transportation District	0.000
Denver SE Suburban Water & Sanitation District	0.000
Douglas County Soil Conservation District	0.000
OVERLAPPING MILL LEVY (2019)	87.544
Stone Creek Metropolitan District (2019)	66.332
TOTAL WITH DISTRICT MILL LEVY (2019)	153.876

Overlapping Mill Levy Property Tax Calculation Example-2019

Tax Collection Year	Actual Value (V)	Assessment Ratio (R)	Assessed Value (AV) [V x R = AV]	Mill Levy¹/Rate² (M)	Amount of Total Property Tax Due [AV x M]
(a) 2019	\$500,000	7.2%	\$36,000	153.876/.153876	\$5,540.00

¹ Based on a projected mill levy, not a representation of any actual current or future mill levy

² Each mill is equal to 1/1000th of a dollar

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Fees

In addition to property taxes, the District may also rely upon various other revenue sources authorized by law to offset the expenses of capital construction and district management, operations and maintenance. Pursuant to its Service Plan, the District has the power to assess fees, rates, tolls, penalties, or charges as provided in Title 32 of the Colorado Revised Statutes, as amended.

The District incurs certain direct and indirect costs (the “**Service Costs**”) associated with the District’s provision of operation and maintenance services for park and recreation type amenities benefiting property and inhabitants within the District (the “**Facilities**”). In order that the Facilities be properly maintained, and that the health, safety, and welfare of the District and its inhabitants may be safeguarded, the District established an Operations and Maintenance Fee (“**O&M Fee**”) for each lot and/or single-family residential dwelling unit located within the District’s boundaries (each a “**Residential Unit**”) to be paid quarterly, to provide a source of funding to pay for the provision of the Service Costs which are generally attributable to each Residential Unit and are currently imposed as follows:

- (1) Upon sale of a vacant lot to a homebuilder, as follows:
 - (a) From the date of sale of a vacant lot and through February 27, 2019, in the amount of \$20 per month per vacant lot, payable quarterly (\$60 per quarter; \$240 per year);
 - (b) Upon substantial completion of two neighborhood parks, as determined by the District Engineer, \$40 per month per lot, payable quarterly (\$120 per quarter; \$480 per year); and
 - (c) Upon substantial completion of two neighborhood parks, the clubhouse, the fitness center, and the swimming pool, as determined by the District Engineer, \$60 per month per lot, payable quarterly (\$180 per quarter; \$720 per year).
- (2) Upon the sale of a lot to an owner other than a homebuilder constructing the initial Residential Unit:
 - (a) \$70 per month per lot, payable quarterly (\$210 per quarter; \$840 per year).

In addition to the O&M Fee, the District established an “**Administrative Fee**”, to be paid by each buyer of a single family residential dwelling unit (“**Residential Unit**”) (other than the homebuilder constructing the initial Residential Unit), to offset administrative costs associated with the establishment, maintenance, and transfer of the accounts necessary to properly account for and administer the O&M Fee and the District’s affairs currently imposed as follows:

- (1) The Administrative Fee shall be \$100 per initial sale of a Residential Unit from a homebuilder to an owner;
- (2) The Administrative Fee shall be \$100 per sale of a Residential Unit from one owner to another owner;

- (3) The Administrative Fee shall be due and payable at the time of any sale, transfer, or re-sale of any Residential Unit constructed on a lot with a certificate of occupancy.

The O&M Fee and the Administrative Fee are set by, and can be amended by, Resolution (a “**Fee Resolution**”) of the District Board of Directors from time to time and shall constitute a statutory and perpetual lien pursuant to Section 32-1-1001(1)(j), C.R.S., from the date same becomes due and payable until paid. The Fee Resolution, and any amendments thereto, are recorded in the real property records of Douglas County, Colorado.

CLUBHOUSE AND POOL FACILITIES

The public improvements that the District will plan for, design, finance, acquire, construct, install, relocate, and/or redevelop include, without limitation, a public clubhouse and pool (“**Clubhouse and Pool Facilities**”). The District anticipates that other projects in the area, including, without limitation, Cielo Metropolitan District, will contribute to the costs associated with the operations and maintenance of the Clubhouse and Pool Facilities by entering into an intergovernmental cost-sharing agreement with the District. The Clubhouse and Pool Facilities are available to the general public in accordance with rules and regulations for the District and upon payment of an annual fee to be set by the District Board of Directors. As of the date of this Disclosure to Purchasers, the District is in the process of finalizing rules and regulations for the Clubhouse and Pool Facilities. Upon adoption by the District Board of Directors, a copy of the Clubhouse and Pool Facilities rules and regulations can be obtained from the District Manager (see contact information below).

DISTRICT BOUNDARIES

This Disclosure shall apply to the property within the boundaries of the District, which property is described on **Exhibit A and Exhibit B**, both of which are attached hereto and incorporated herein by this reference.

CONTACT INFORMATION

For any questions regarding the District or this Disclosure to Purchasers, please contact:

District Manager:
Special District Management Services, Inc.
Attn: Lisa A. Johnson
141 Union Blvd. #150
Lakewood, CO 80228
Telephone: 303-987-0835

DISTRICT WEBSITE INFORMATION

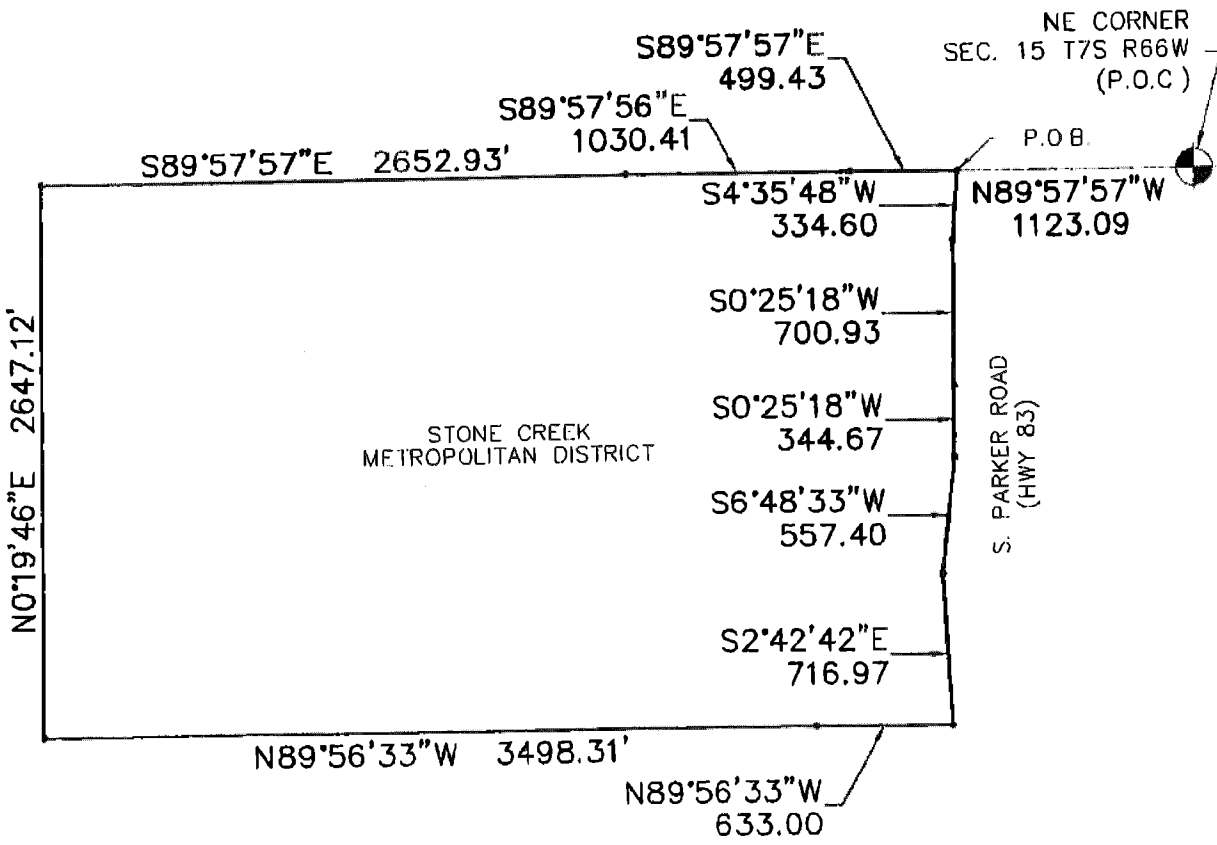
www.colorado.gov/pacific/stonecreekmd

Dated this 6th day of March, 2019.

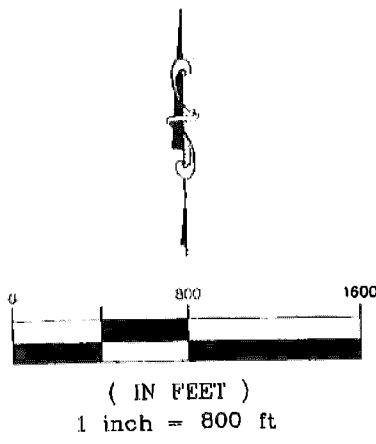
EXHIBIT A

District Map

A PARCEL OF LAND LOCATED IN THE NORTH HALF
 OF SECTION 15, TOWNSHIP 7 SOUTH, RANGE 66
 WEST OF THE SIXTH PRINCIPAL MERIDIAN, COUNTY
 OF DOUGLAS, STATE OF COLORADO



NOTE: THIS EXHIBIT DOES NOT REPRESENT A MONUMENTED LAND SURVEY. IT IS INTENDED ONLY TO DEPICT THE LEGAL DESCRIPTION ON EXHIBIT "A"



DATE: 11/06/13

Peak
 Civil Consultants

200 W. HAMPDEN AVE., SUITE 200
 ENGLEWOOD, COLORADO 80110
 PH: 720.856.3869
 FAX: 720.528.8167
 CONTACT: JEFF FRENCH

EXHIBIT B

Legal Description

Lots 1 through 329, inclusive,
Stone Creek Ranch Filing No. 1,
Douglas County, Colorado.

-AND-

Tracts A through Y, inclusive,
Stone Creek Ranch Filing No. 1,
Douglas County, Colorado.