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April 29, 2018

Board of Directors
Founders Village Metropolitan District
formerly known as
Villages at Castle Rock Metropolitan District No. 1
Douglas County, Colorado

Dear Directors:

We have been engaged to serve as special counsel to Founders Village Metropolitan District *formerly known as* Villages at Castle Rock Metropolitan District No. 1, in Douglas County, Colorado (**"District No. 1"**). In that capacity, we have been asked to review documentation relating to the method and formula which District No. 1 is required to utilize in determining the number of mills it is required to certify each year and, based on our review of such documentation, to provide our opinion as to the method and formula to be utilized by District No. 1 in making such determination.

I. DISTRICT DOCUMENTS

For purposes of this letter we have reviewed the following:

(a) Plan for Adjustment of Debts (In re Villages at Castle Rock Metropolitan District No. 4, Debtor, United States District Court for the District of Colorado In Bankruptcy Case No. 89 B 16240 A), dated June 14, 1991, as amended pursuant to a revised Plan for Adjustments of Debt dated September 12, 1991, and as further modified pursuant to a Modification of Debtor's Plan for Adjustment of Debts dated December 12, 1991;

(b) Order Confirming Debtor's Plan for Adjustment of Debts (In re Villages at Castle Rock Metropolitan District No. 4, Debtor, United States District Court for the District of Colorado In Bankruptcy Case No. 89 B 16240 A), executed by Sidney B. Brookes, United States Bankruptcy Judge, on December 17, 1991 and entered on December 18, 1991;

(c) 1991 Bond Resolution pursuant to which the Revenue Refunding Bonds, Series 1991 (the **"Bonds"**) were issued by Villages at Castle Rock Metropolitan District No. 4 (**"District No. 4"**);

(d) Third Amended and Restated Intergovernmental Financing Agreement between District No. 4 and District No. 1 (the **"District No. 1 IGA"**);

(e) Disclosure Statement for Debtor's Plan For Adjustment of Debts In re Villages at Castle Rock Metropolitan District No. 4, Debtor, United States District Court for the District of Colorado In Bankruptcy Case No. 89 B 16240 A;

(f) Intergovernmental Regional Facilities Agreement by and among the Villages at Castle Rock Metropolitan Districts Nos. 1 through 9; and

(g) House Bill 17-1349 (**"HB 17-1349"**) enacted by the General Assembly of the State of Colorado and signed into law by the Governor, codified in Section 39-1-104.2, Colorado Revised Statutes, as amended, as the addition of subsection (3)(p) thereto, which legislation changed the property tax law regarding the method of assessment. Specifically, HB 17-1349 changed the ratio of valuation for assessment for residential real property to 7.20 percent of actual value (from the prior ratio of 7.96 percent of actual value) for property tax levy year 2017 and continuing for each levy year thereafter until the next property tax year that the General Assembly adjusts the ratio of valuation for assessment for residential real property.

The documents referenced in clauses (a) through (g) above are referred to, collectively, as the **"District Documents."**

II. BACKGROUND

(a) ***Revenue Generating Obligations of District No. 1***. Under the District Documents, District No. 4 (having an inadequate tax base) was responsible for issuing the Bonds (to refinance prior bonds issued to finance public improvements benefitting, among others, the residents and taxpayers in District No. 1), and District No. 1 is responsible for levying taxes and imposing fees, and remitting such revenue to District No. 4 for payment of the Bonds.

(b) ***Assessment of Property; Gallagher Amendment***. All taxable property in Colorado (the **"State"**) is listed, appraised and valued for assessment as of January 1 of each year by the applicable 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 2017/2018 levy/collection year as well as the 2018/2019 levy/collection year are based on market data obtained from the period January 1, 2015–June 30, 2016. The "level of value" calculation does not change for even-numbered years.

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 rate. The assessment rate of residential property changes from year to year pursuant to Section 3(1)(b) of Article X of the Colorado Constitution (the **"Gallagher Amendment"**), which established 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 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. The commercial assessment rate is established at 29% of the actual value of commercial property (including vacant land and undeveloped lots) and, in order to maintain this 45% to 55% ratio, the residential assessment rate fluctuates. Section 39-1-104.2(5)(a), Colorado Revised Statutes, as amended, requires the General Assembly to adjust the residential assessment rate in order to maintain this relationship of the total assessed value of residential real property compared to commercial property (including vacant land and undeveloped lots).

(c) ***Mill Levy Adjustments***. Where there are or were changes in the ratio of actual valuation to assessed valuation pursuant to the Gallagher Amendment and legislation implementing such amendment, it is not uncommon for a taxing entity in Colorado to be required (by contract, service plan, bond issuance documents, or other binding instrument) to increase its mill levy in order to offset such changes, where a change in the assessment rate is a decrease of such rate. (Likewise, if the assessment rate were to increase, which has not occurred since the enactment of the Gallagher Amendment, such mill levy could be subject to decrease to offset such changes.) The underlying intent is that, in adjusting the mill levy, to the extent possible, the actual tax revenues generated by such mill levy are neither diminished nor enhanced as a result of such changes.

III. ASSUMPTIONS

In reviewing the District Documents, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to authentic original documents of all documents submitted to us as certified, conformed, photostatic or facsimile copies, the legal capacity, authority and representations made to us by all natural persons, and that each signatory to the District Documents had the power to enter into and perform its obligations under such documents, and that such documents have been duly authorized, executed, and delivered by, and are binding upon and enforceable against such parties. For purposes of this opinion, we have assumed that the District Documents are valid, binding and enforceable obligations of the parties thereto and that no defaults have occurred or are continuing thereunder.

As to questions of fact material to our conclusions, we have relied upon the accuracy of the information set forth in the District Documents without undertaking to verify the same by independent investigation, and have assumed that, as of the date of this letter, there have been no changes in the District Documents.

IV. CERTAIN DEFINED TERMS

The following capitalized terms, when used in this letter, shall have the meanings assigned to such terms below, which are extracted from the District No. 1 IGA.

"Base Valuation" shall mean $7,240,756 (the valuation for assessment of all taxable property within District No. 1 in 1989).

"Certified Valuation" shall mean the valuation for assessment of taxable property as certified annually by the County Assessor of Douglas County, Colorado in accordance with C.R.S. § 39-5-128.

"Comparison Districts" shall have the meaning provided in Section 2.1 of the District No. 1 IGA.

"Fiscal Year" shall mean the twelve (12) month period ending each December 31, or any other twelve (12) month period prescribed by law as the fiscal year of District No. 4 for the purpose of financial reporting.

"Increased Valuation" shall mean the difference between the Certified Valuation for District No. 1 and the Base Valuation.

V. OPINIONS

Based upon our review of the District Documents, and subject to the assumptions, qualifications and limitations set forth in this letter, it is our opinion, as of the date hereof and under existing law, that:

1. Unadjusted Mill Levies.

(a) The District No. 1 IGA provides that, for Fiscal Years 1991 through 1999, District No. 1 shall levy an ad valorem property tax which shall *not be less than* the number of mills which, when multiplied times the Base Valuation, will produce, under the property tax laws then in effect, total tax collections on the Base Valuation equal to $231,704.19, and shall levy that same number of mills on the Increased Valuation for the same levy year, such that District No. 1 will impose a uniform mill levy against all taxable property within its boundaries. Based on the method of assessment pursuant to property tax laws then in effect, such levy was 32 mills in levy year 1990 (tax collection year 1991). Such mill levy was subject to adjustment for each change in the method of assessment occurring through levy year 1998 (collection year 1999), in the manner set forth in Opinion V.2 below.

(b) The District No. 1 IGA provides that, for Fiscal Years 2000 through 2004, District No. 1 shall levy an ad valorem property tax which shall *not be less than* the number of mills which, when multiplied times the Base Valuation, will produce, under the property tax laws then in effect, total tax collections on the Base Valuation equal to $267,907.97, and shall levy that same number of mills on the Increased Valuation for the same levy year, such that District No. 1 will impose a uniform mill levy against all taxable property within its boundaries. Based on the method of assessment pursuant to property tax laws then in effect, such levy was 37 mills in levy year 1990 (tax collection year 1991). Such mill levy was subject to adjustment for each change in the method of assessment occurring through levy year 2003 (collection year 2004), in the manner set forth in Opinion V.2 below, and was subject to further adjustment as described in Opinion V.3 below.

(c) The District No. 1 IGA provides that, for Fiscal Years 2005 until the earlier of December 31, 2031 or the repayment in full of the Bonds, District No. 1 shall levy an ad valorem property tax which shall *not be less than* the number of mills which, when multiplied times the Base Valuation, will produce,

under the property tax laws then in effect, total tax collections on the Base Valuation equal to $304,111.75, and shall levy that same number of mills on the Increased Valuation for the same levy year, such that District No. 1 will impose a uniform mill levy against all taxable property within its boundaries. Based on the method of assessment pursuant to property tax laws then in effect, such levy was 42 mills in levy year 1990 (tax collection year 1991). Such mill levy was and is subject to adjustment for each change in the method of assessment occurring through the earlier of (i) levy year 2030 (collection year 2031) or (ii) repayment of the Bonds, in the manner set forth in Opinion V.2 below, and was and is subject to further adjustment as described in Opinion V.3 below.

2. Adjustment of Mill Levy; Change in Method of Assessment

The debt service mill levy to be certified by District No. 1 each year for payment of the Bonds was and is required to be adjusted for each change occurring in the method of assessment after levy year 1990 (collection year 1991). A change in the ratio of valuation for assessment of residential real property established by the General Assembly pursuant to Sections 39-1-104.2(3)(a) through (p), Colorado Revised Statutes, as amended (which includes the change in property tax law pursuant to HB 17-1349 described in Section I(g) above), is a change in the property tax laws with respect to the method of assessment.

See Section II(b) and (c) above for a discussion of the applicable laws with respect to such changes and the underlying intent thereof.

3. Adjustment of Mill Levy; Comparison Districts

The District No. 1 IGA provides that, beginning on January 1, 2000 and continuing each Fiscal Year until the earlier of (i) December 31, 2031 or (ii) repayment in full of the Bonds, the total overlapping mill levy to be imposed by District No. 1 each year (such levy being the sum of the number of mills imposed by District No. 1 *plus* the number of mills imposed by all other taxing entities which overlap the boundaries of District No. 1) (with respect to each levy year, such levy shall be referred to herein as the **"District No. 1 Total Overlapping Mill Levy"**), shall *not be less than* the mean average of the total overlapping mill levies imposed by the Comparison Districts in the preceding year (such levy being, for each Comparison District, the sum of the number of mills imposed by the applicable Comparison District *plus* the number of mills imposed by all other taxing entities which overlap the boundaries of such Comparison District) (with respect to the levy year immediately preceding each levy year of the District No. 1 Total Overlapping Mill Levy, such levy shall be referred to herein as the **"Average Comparison District Mill Levy"**), and District No. 1 shall adjust its mill levy, if necessary, to achieve such result.

More specifically, under the terms of the District No. 1 IGA, the District No. 1 Total Overlapping Mill Levy shall never be less than the Average Comparison District Mill Levy. Accordingly, in every year that the Average Comparison District Mill Levy is, for the preceding levy year, *greater than* the District No. 1 Total Overlapping Mill Levy, as preliminarily calculated, District No. 1 is required to *increase* such mill levy, and such required increase is equal to the number of mills by which the Average Comparison District Mill Levy exceeds the District No. 1 Total Overlapping Mill Levy, as preliminarily calculated.

With respect to this Section V.3, *for illustrative purposes only*, set forth below are the following examples:

(a) If in a particular levy year the District No. 1 Total Overlapping Mill Levy is preliminarily calculated to be 150 mills (after taking into account changes in the method of assessment in determining District No. 1's debt service mill levy pursuant to Section V.2 above), and the Average Comparison District Mill Levy was 160 mills in the immediately preceding levy year, then District No. 1 would be required to *increase* its mill levy by 10 mills in that levy year. Under this example, the District No. 1 Total Overlapping Mill Levy to be certified in such levy year would increase to 160 mills.

(b) If in a particular levy year the District No. 1 Total Overlapping Mill Levy is preliminarily calculated to be 150 mills (after taking into account changes in the method of assessment in determining District No. 1's debt service mill levy pursuant to Section V.2 above), and the Average Comparison District Mill Levy was 140 mills in the immediately preceding levy year, then District No. 1 would *not* be required to increase its mill levy in that levy year. Under this example, the District No. 1 Total Overlapping Mill Levy to be certified in such levy year would remain at 150 mills.

VI. LIMITATIONS AND QUALIFICATIONS

This opinion letter is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Except as expressly stated in Section V. above (and subject to the assumptions, limitations, qualifications and exceptions in this opinion letter), we do not express in this opinion letter any opinion on any other matter. The only opinions rendered by this firm in this opinion letter consist of the opinions expressly stated in Section V. above (and subject to the assumptions, limitations, qualifications and exceptions in this opinion letter), and no opinion is implied or to be inferred beyond that so expressly stated.

By acceptance of this opinion letter the addressee hereof recognizes and acknowledges that (i) no attorney-client relationship has existed between our firm and the addressee in connection with the preparation and negotiation of the District Documents and (ii) in order to provide this opinion letter, our firm undertook no duties or responsibilities and conducted no activities in addition to those set forth herein as undertaken or conducted for the purpose of rendering the opinions herein to the addressee hereof.

District No. 1 is our sole client in this transaction and we have not been engaged by, nor have we undertaken to advise any other party or to opine as to matters not specifically covered herein. This opinion letter is solely for the benefit of District No. 1 and may not be circulated, quoted or relied upon by any party other than District No. 1 without our prior written consent. We understand, however, that District No. 1 intends to distribute a copy of this letter to District No. 1's residents and taxpayers and we

hereby consent to such limited distribution; *provided, however*, that the act of District No. 1 of distributing this letter to District No. 1's residents and taxpayers or any other person or entity will, immediately upon the occurrence of a single distribution of this letter, wholly waive all attorney-client privilege between this firm and District No. 1. Furthermore, no resident or taxpayer within District No. 1 shall be entitled to rely on this letter or any matters or opinions expressed herein, and our consent to such limited distribution by District No. 1 does not create or imply an attorney-client relationship between this firm and any resident or taxpayer within District No. 1 or any other person or entity.

This opinion letter, dated April 29, 2018, supersedes and replaces in its entirety our opinion letter addressed to District No. 1 dated April 13, 2018.