HANCOCK METROPOLITAN DISTRICT NO. 1

EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2025

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hancock Metropolitan District No. 1
El Paso County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Hancock Metropolitan District No. 1 ("District") as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 District as of December 31, 2025, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Management has omitted 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 which 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.

Supplementary Information

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

BiggsKofford LLP

Colorado Springs, Colorado
August 21, 2026

HANCOCK METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2025

		Governmental Activities
ASSETS		
Cash and investments - restricted	$	6,960,664
Receivable from County Treasurer		15
Property taxes receivable		13,025
Total assets		6,973,704
LIABILITIES		
Accounts payable		66,038
Accrued interest		19,643
Noncurrent liabilities:		
Due in more than one year		7,535,045
Total liabilities		7,620,726
DEFERRED INFLOWS OF RESOURCES		
Deferred property taxes		13,025
Total deferred inflows of resources		13,025
NET POSITION		
Restricted for:		
Emergency reserve		800
Unrestricted		(660,847)
Total net position	$	(660,047)

The accompanying notes and independent auditor's report
should be read with these financial statements.

HANCOCK METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS / PROGRAMS					
Primary government					
Government activities:					
General government	$ 24,761	$ -	$ -	$ -	$ (24,761)
Interest and related costs on long-term debt	637,064	-	-	-	(637,064)
Total government activities	$ 661,825	$ -	$ -	$ -	(661,825)
GENERAL REVENUES					
Property taxes					2,038
Specific ownership taxes					193
Total general revenues					2,231
Change in net position					(659,594)
Net position, beginning of year					(453)
Net position, end of year					$ (660,047)

The accompanying notes and independent auditor's report
should be read with these financial statements.

HANCOCK METROPOLITAN DISTRICT NO. 1
BALANCE SHEETS - GOVERNMENTAL FUNDS
DECEMBER 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments - restricted	$ 744	$ 1,836,250	$ 5,123,670	$ 6,960,664
Receivable from County Treasurer	15	-	-	15
Property taxes receivable	2,481	10,544	-	13,025
Total assets	$ 3,240	$ 1,846,794	$ 5,123,670	$ 6,973,704
LIABILITIES				
Accounts payable	$ 23,242	$ 500	$ 42,296	$ 66,038
Total liabilities	23,242	500	42,296	66,038
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	2,481	10,544	-	13,025
Total deferred inflows of resources	2,481	10,544	-	13,025
FUND BALANCES				
Restricted for:				
Emergency reserve	800	-	-	800
Debt service	-	1,835,750	-	1,835,750
Capital projects	-	-	5,081,374	5,081,374
Unassigned:				
Unrestricted	(23,283)	-	-	(23,283)
Total fund balances	(22,483)	1,835,750	5,081,374	6,894,641
Total liabilities, deferred inflows of resources, and fund balances	$ 3,240	$ 1,846,794	$ 5,123,670	

Amounts reported in governmental activities in the statement of net position are different because:	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(7,532,000)
Accrued interest on Series 2025A Senior Bonds	(19,643)
Accrued interest on Series 2025B Subordinate Bonds	(3,045)
Net position of governmental activities	$ (660,047)

The accompanying notes and independent auditor's report should be read with these financial statements.

HANCOCK METROPOLITAN DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES				
Property taxes	$ 2,038	$ -	$ -	$ 2,038
Specific ownership taxes	193	-	-	193
Total revenues	2,231	-	-	2,231
EXPENDITURES				
Current:				
County Treasurer fees	31	-	-	31
Insurance	-	500	-	500
Management fees	6,640	-	-	6,640
Professional fees	17,590	-	-	17,590
Debt service:				
Bond issuance costs	-	-	614,376	614,376
Total expenditures	24,261	500	614,376	639,137
Excess of revenues over expenditures	(22,030)	(500)	(614,376)	(636,906)
OTHER FINANCING SOURCES AND USES				
Proceeds from bond issuance	-	1,836,250	5,695,750	7,532,000
Total other financing sources and uses	-	1,836,250	5,695,750	7,532,000
Net change in fund balances	(22,030)	1,835,750	5,081,374	6,895,094
Fund balances, beginning of year	(453)	-	-	(453)
Fund balances, end of year	$ (22,483)	$ 1,835,750	$ 5,081,374	$ 6,894,641

The accompanying notes and independent auditor's report should be read with these financial statements.

HANCOCK METROPOLITAN DISTRICT NO. 1

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2025

Net change in fund balances	$ 6,895,094
Amounts reported for governmental activities in the statement of activities are different because:	
The issuance of long-term debt (such as bonds, leases, and developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Proceeds from bond issuance	(7,532,000)
Some items in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accrued interest on bonds payable	(22,688)
Change in net position	$ (659,594)

The accompanying notes and independent auditor's report should be read with these financial statements.

HANCOCK METROPOLITAN DISTRICT NO. 1
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
(BUDGET AND ACTUAL)
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual	Variance
REVENUES			
Property taxes	$ 2,013	$ 2,038	$ 25
Specific ownership taxes	141	193	52
Total revenues	2,154	2,231	77
EXPENDITURES			
County Treasurer fees	30	31	(1)
Election	5,000	-	5,000
Insurance	1,250	-	1,250
Management fees	6,000	6,640	(640)
Professional fees	10,375	17,590	(7,215)
Contingency	5,000	-	5,000
Total expenditures	27,655	24,261	3,394
Excess of revenues over expenditures	(25,501)	(22,030)	3,471
OTHER FINANCING SOURCES AND USES			
Proceeds from developer advance	20,000	-	(20,000)
Total other financing sources and uses	20,000	-	(20,000)
Net change in fund balance	$ (5,501)	(22,030)	$ (16,529)
Fund balance, beginning of year		(453)	
Fund balance, end of year		$ (22,483)	

The accompanying notes and independent auditor's report should be read with these financial statements.

1. DEFINITION OF REPORTING ENTITY

Hancock Metropolitan District No. 1 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was formed in May 2021, and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado ("County"). The District was organized to finance and construct public improvements.

The District was organized in conjunction with Hancock Metropolitan District No. 2 ("District No. 2").

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

The District is not financially accountable for any other organization nor is the District a component unit of any other primary governmental entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. Material interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are properly excluded from program revenues and are reported as general revenues.

Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectable 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 major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The *general fund* accounts for all financial resources of the District except those required to be accounted for in another fund.

The *debt service fund* accounts for the servicing of general long-term debt and revenues generated and received by the District that are required to be used for repayment of debt.

The *capital projects fund* accounts for financial resources to be used for the acquisition and construction of capital equipment and facilities.

Budgets

In accordance with state budget law, the District holds public hearings in the fall each year to approve the budget and appropriate funds for the ensuing year. The appropriation is at the total fund expenditures, fund balance remaining, and other financing uses level, and lapses at year end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District amended its annual budget for the year ended December 31, 2025.

Pooled cash and investments

The District follows the practice of pooling cash and investments of funds to maximize investment earnings. Except when required by trust or other agreements, cash is deposited to and disbursed from a single bank account. 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 balance.

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 and attaches as an enforceable lien as of January 1 of the following year. The County Treasurer collects the taxes during the ensuing calendar year. The taxes are payable by April or, at the taxpayer's election, in February and June in equal installments. Delinquent taxpayers are notified in August and sales of tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected to the District monthly.

Property taxes, net of estimated uncollectable amounts, are recorded initially as deferred revenues in the year they are levied and measurable. The deferred property tax revenues are recorded as revenues in the year they are available or collected.

Deferred inflows of resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so, will not be recognized as an inflow of resources (revenues) until that time. Accordingly, property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position and fund balances

Net position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District’s practice to use restricted resources first, then unrestricted resources as they are needed.

Fund balances

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

The *nonspendable fund balance* is the portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventories) or is legally or contractually required to be maintained intact.

The *restricted fund balance* is the portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

The *committed fund balance* is the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by 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.

The *assigned fund balance* is the portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the board of directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

The *unassigned fund balance* is the residual portion of fund balance that does not meet any of the criteria described above.

For fund presentation purposes, if more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

General fund balance deficit

The District reported a deficit in the general fund as of December 31, 2025. The deficit is expected to be eliminated with the receipt of property taxes and developer advances in the future.

Use of estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor's report, the date of these financial statements were issued.

New accounting pronouncement

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures ("Statement 102"). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2025, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments - restricted	$ 6,960,664
	$ 6,960,664

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2025, are as follows:

Deposits with financial institutions	$ 5,983,874
Investments	976,790
	$ 6,960,664

Deposits with financial institutions

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

As of December 31, 2025, the District's cash deposits had a bank balance of $5,983,874 and a carrying balance of $5,983,874.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those below which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. The District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2025, the District had the following in investments:

Investment	Maturity	Amount
Morgan Stanley Institutional Liquidity Funds Treasury Portfolio	Weighted average under 40 days	$ 976,790
Total investments		$ 976,790

The Morgan Stanley Institutional Liquidity Funds Treasury Portfolio is a money market fund that is managed by Morgan Stanley, and each share is equal in value to $1. The fund is rated AAAm by S&P and invests in high-quality, short-term US government securities. The average maturity of the underlying securities is 40 days or less.

4. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2025:

	Balance 01-01-25	Additions	Repayments / Amortization	Balance 12-31-25	Due Within One Year
Governmental activities					
Bonds payable:					
Series 2025A Senior Bonds	$ -	$ 6,525,000	$ -	$ 6,525,000	$ -
Series 2025B Subordinate Bonds	-	1,007,000	-	1,007,000	-
Accrued interest on Series 2025B Subordinate Bonds	-	3,045	-	3,045	-
Total long-term obligations	$ -	$ 7,535,045	$ -	$ 7,535,045	$ -

Series 2025 Limited Tax General Obligation and Special Revenue Bonds

On December 18, 2025, the District issued Series 2025A Limited Tax General Obligation and Special Revenue Bonds and Series 2025B Subordinate Limited Tax General Obligation and Special Revenue Bonds ("Series 2025A Bonds", "Series 2025B Bonds", collectively "2025 Bonds") for the purpose of funding or reimbursing a portion of the costs of acquiring, constructing, and installing certain public improvements to serve the development. The purposes from the sale of the Series 2025A Bonds will also be used for (i) funding a portion of the interest to accrue on the Series 2025A Bonds; (ii) funding the reserve fund; and (iii) paying the costs of issuing bonds.

The Series 2025A Bonds were issued in the amount of $6,525,000. The Series 2025A Bonds bear interest at a rate of 6.375% per annum, calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of pledged revenues available on June 1 and December 1 each year, and mature on December 1, 2055. In the event that any amount of principal of or interest on the Series 2025A Bonds remain unpaid after the application of all pledged revenue available on December 2, 2065, the Series 2025A Bonds will be deemed to be paid, satisfied, and discharged regardless of the amount of principal and interest paid prior to that date.

The Series 2025A Bonds were also initially secured by a reserve fund from the proceeds of the Bonds in the amount of $588,344.

The Series 2025B Bonds were issued in the amount of $1,007,000. The Series 2025B Bonds bear interest at a rate of 8.375% per annum, calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of pledged revenues available on December 15 each year, and mature on December 15, 2055. The Series 2025B Bonds are structured as cash flow bonds. Accordingly, the timing of repayment is uncertain and a maturity schedule is not included in these financial statements. In the event that any amount of principal of or interest on the Series 2025B Bonds remain unpaid after the application of all pledged revenue available on December 15, 2065, the Series 2025B Bonds will be deemed to be paid, satisfied, and discharged regardless of the amount of principal and interest paid prior to that date.

Pledged revenues

The 2025 Bonds are secured by and payable from the pledged revenue consisting of monies derived by the District and District No. 2 from the following sources, net of any collection costs: (a) required mill levy of; (b) the portion of the specific ownership tax which are collected as a result of imposition of the required mill levy; (c) the CSURA revenues (Note 6); and (d) any other legally available monies which the District determines to be treated as pledged revenue. The Series 2025B Bonds are also secured by the released surplus fund monies (if any). Required mill levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the bonds as they become due and payable and to make up any deficiencies in the reserve fund. The mill levy is adjusted for changes in the ratio of actual value to assessed value of property within the District.

Optional redemption

The District may, at its option, prepay the 2025 Bonds, with the consent of the issuer, in whole or in part, on any payment date subject to the yield maintenance fee, if any, and a prepayment premium equal to a percentage of the principal as follows:

Date of Redemption	Premium Redemption
December 1, 2030, through November 30, 2031	3.00%
December 1, 2031, through November 30, 2032	2.00%
December 1, 2032, through November 30, 2033	1.00%
December 1, 2033 and thereafter	0.00%

Events of default

The District has events of default in two categories: events of default under the indenture and events of default under the pledge agreement.

Events of default under the indenture

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the agreement:

(a) The District fails or refuses to impose the required mill levy or to apply the pledged revenue as required by the indenture, or District No. 2 fails or refuses to impose the District No. 2 required mill levy or to remit the District No. 2 pledged revenue as required by the terms of the pledge agreement;

(b) The District or District No. 2 default in the performance or observance of any of the covenants, agreement, or conditions on the part of the District in the indenture, other than as descried in paragraph (a) above, and fails to remedy the same after notice thereof pursuant to the indenture;

(c) The District or District No. 2 file a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Series 2025A Bonds;

(d) An event of default has occurred under the pledge agreement and such default not been remedied after notice thereof pursuant to the senior indenture.

Upon the occurrence and continuance of an event of default, the trustee has 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 of the bonds, the trustee is entitled as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the trustee is 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 of the bonds under the act, the bonds, the bond resolution, the indenture, and any provision of law by such suit, action, or special proceedings as the trustee, being advised by counsel, deems 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 of the bonds.

It is acknowledged that, due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the bonds when due does not, in itself, constitute an event of default under the indenture.

Notwithstanding the foregoing, acceleration will not be an available remedy for an event of default.

The District's long-term obligations on the Series 2025A Bonds mature as follows:

Year Ending December 31,	Principal	Interest	Total
2026	$ -	$ 396,326	$ 396,326
2027	-	415,969	415,969
2028	-	415,969	415,969
2029	-	415,969	415,969
2030	65,000	415,969	480,969
2031-2035	605,000	1,991,231	2,596,231
2036-2040	975,000	1,752,488	2,727,488
2041-2045	1,455,000	1,384,331	2,839,331
2046-2050	1,395,000	884,531	2,279,531
2051-2055	2,030,000	476,849	2,506,849
Total	$ 6,525,000	$ 8,549,632	$ 15,074,632

Authorized debt

On November 2, 2021, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $240,000,000 at an interest rate not to exceed 18% per annum. As of December 31, 2025, the District had authorized but unissued electoral indebtedness of $232,468,000.

As set forth in the District’s Service Plan dated May 11, 2021, and as amended October 28, 2025, the City of Colorado Springs ("City") has limited the amount of debt to be issued by the District to a total of $8,257,000 without further approval by the City. The District may levy up to 50.000 mills, as adjusted, for debt service and 10.000 mills, as adjusted, for general operations and administrative expenses due to the ongoing operations and maintenance to be undertaken by the District. As of December 31, 2025, the District has had authorized but unissued service plan indebtedness of $725,000.

Developer advances

Funding and Reimbursement Agreement - HC20, LLC

On December 7, 2022, the District entered into a funding and reimbursement agreement with HC20, LLC ("HC20"). Under this agreement, HC20 agreed to advance funds to the District over four years not to exceed the aggregate of $50,000 per annum, up to $200,000 through December 31, 2026. The District agreed to reimburse HC20 for such advances and prior costs incurred by HC20 at a simple interest rate of the Municipal Market Data (MMD) "AAA" General Obligation Yield Curve plus 500 basis points per annum from the date of each advance, limited to a not to exceed cap of 8%. These funds will be advanced to the District in one or a series of installments and will be available to the District through December 31, 2026. On December 6, 2052, the funding and reimbursement agreement will be deemed to be forgiven and discharged, regardless of the amount of principal and interest paid prior to that date. As of December 31, 2025, there were no outstanding developer advances under this agreement.

Public Improvements Acquisition and Reimbursement Agreement - HC20, LLC

On December 7, 2022, the District entered into a public improvements acquisition and reimbursement agreement with HC20. Under this agreement, HC20 agreed to construct certain public improvements to be acquired by the District. The District agreed to reimburse HC20 for such advances and prior costs incurred by HC20 at a simple interest rate of the Municipal Market Data (MMD) "AAA" General Obligation Yield Curve plus 500 basis points per annum from the date of each advance, limited to a not to exceed cap of 8%. On December 6, 2042, the public improvements acquisition and reimbursement agreement will be deemed to be forgiven and discharged, regardless of the amount of principal and interest paid prior to that date. As of December 31, 2025, there were no outstanding developer advances under this agreement.

Funding and Reimbursement Agreement - PHI Real Estate Services, LLC

On December 7, 2022, the District entered into a funding and reimbursement agreement with PHI Real Estate Services, LLC ("PHI"). Under this agreement, PHI agreed to advance funds to the District over four years not to exceed the aggregate of $50,000 per annum, up to $200,000 through December 31, 2026. The District agreed to reimburse PHI for such advances and prior costs incurred by PHI at a simple interest rate of the Municipal Market Data (MMD) "AAA" General Obligation Yield Curve plus 500 basis points per annum from the date of each advance, limited to a not to exceed cap of 8%. These funds will be advanced to the District in one or a series of installments and will be available to the District through December 31, 2026. On December 6, 2052, the funding and reimbursement agreement will be deemed to be forgiven and discharged, regardless of the amount of principal and interest paid prior to that date. As of December 31, 2025, there were no outstanding developer advances under this agreement.

Public Improvements Acquisition and Reimbursement Agreement - PHI Real Estate Services, LLC

On December 7, 2022, the District entered into a public improvements acquisition and reimbursement agreement with PHI. Under this agreement, PHI agreed to construct certain public improvements to be acquired by the District. The District agreed to reimburse PHI for such advances and prior costs incurred by PHI at a simple interest rate of the Municipal Market Data (MMD) "AAA" General Obligation Yield Curve plus 500 basis points per annum from the date of each advance, limited to a not to exceed cap of 8%. On December 6, 2042, the public improvements acquisition and reimbursement agreement will be deemed to be forgiven and discharged, regardless of the amount of principal and interest paid prior to that date. As of December 31, 2025, there were no outstanding developer advances under this agreement.

5. NET POSITION

The District has net position consisting of: restricted and unrestricted.

Restricted net position includes balances with external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2025 as follows:

Restricted net position:	
Emergency reserve (Note 10)	$ 800
	$ 800

The District has a deficit in unrestricted net position as of December 31, 2025. This deficit is the result of bonds issued for public improvements.

6. INTERGOVERNMENTAL AGREEMENTS

Urban renewal agreement

On August 22, 2023 and as amended July 23, 2025, the District entered into an Urban Renewal Agreement for Development of Hancock Commons Urban Renewal Area with Colorado Springs Urban Renwal Authority ("CSURA"), HC20, and District No. 2. The purposes of this agreement are to renew and improve the environment, enhance the current sales tax base and property tax base, effectively use undeveloped land and promote improved traffic, public transportation, public utilities, and community facilities within the project area. In order to facilitate the funding by the District, CSURA agrees to remit, on a monthly basis, all District Property Tax Increment Revenues, to the extent CSURA receives the same from the County. The District agrees to use all District Debt Service Mill Levy Tax Increment Revenues to fund costs related to the redevelopment of the Project Area. Furthermore, an administrative fee in the amount of $70,000 escalating 2% annually per year, if not reimbursed from other sources, shall be retained annually by CSURA from District Property Tax Increment Revenues.

Revenue pledge agreement

On December 18, 2025, the District entered into two separate pledge agreements with District No. 2 to provide for the payment of the 2025 Bonds.

Under the Senior Revenue Pledge Agreement, the District issued the Senior Bonds, in the principal amount of $6,525,000, secured by ad valorem property taxes and other pledged revenues of both districts. District No. 2 pledged certain revenues, including property taxes, to support its share of the debt service (see Note 4).

In conjunction with the senior bonds, the District also issued the Subordinate Bonds, in the principal amount of $1,007,000, pursuant to the Subordinate Revenue Pledge Agreement. District No. 2 pledged subordinate revenues, including a subordinate mill levy and specific ownership taxes to support its portion of the subordinate debt (see Note 4).

7. RELATED PARTIES

The developers of the property within the District are HC20, LLC and PHI Real Estate, LLC (collectively, the "Developers"). The members of the board of directors are officers, employees, or associated with the developer and may have conflicts of interest in dealing with the District.

8. RISK MANAGEMENT

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

On January 1, 2026, the District joined the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

9. ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developers.

10. TAX, SPENDING, AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. On November 2, 2021, the District's voters approved a ballot issue allowing the District to retain all revenues.

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. As of December 31, 2025, the District had provided for, but had not fully funded an emergency reserve, which may be a violation of the constitutional amendment.

District management believes the District 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 likely require judicial interpretation.

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the state of Colorado.

On May 6, 2025, the qualified electors of the District approved an election question to waive the 5.25% property tax limit established under Section 29-1-1702, CRS for 2025 and all future budget years. The District's management believes it is in compliance with the provisions of Section 29-1-1702, CRS However, this section of the CRS is complex and subject to interpretation.

* * * * * * *

SUPPLEMENTARY INFORMATION

HANCOCK METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL)
YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES				
Insurance	$ -	$ 500	$ 500	$ -
Total expenditures	-	500	500	-
Excess of revenues over expenditures	-	(500)	(500)	-
OTHER FINANCING SOURCES AND USES				
Proceeds from bond issuance	-	1,836,250	1,836,250	-
Total other financing sources and uses	-	1,836,250	1,836,250	-
Net change in fund balance	$ -	$ 1,835,750	1,835,750	$ -
Fund balance, beginning of year			-	
Fund balance, end of year			$ 1,835,750	

The accompanying notes and independent auditor's report should be read with these financial statements.

HANCOCK METROPOLITAN DISTRICT NO. 1

CAPITAL PROJECTS FUND - SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (BUDGET AND ACTUAL)

YEAR ENDED DECEMBER 31, 2025

	Original Budget	Final Budget	Actual	Variance
EXPENDITURES				
Bond issuance costs	-	$ 614,376	$ 614,376	$ -
Total expenditures	-	614,376	614,376	-
Excess of revenues over expenditures	-	(614,376)	(614,376)	-
OTHER FINANCING SOURCES AND USES				
Proceeds from bond issuance	-	5,695,750	5,695,750	-
Total other financing sources and uses	-	5,695,750	5,695,750	-
Net change in fund balance	$ -	$ 5,081,374	5,081,374	$ -
Fund balance, beginning of year			-	
Fund balance, end of year			$ 5,081,374	

The accompanying notes and independent auditor's report should be read with these financial statements.