



December 21, 2018

City of Colorado Springs
c/o Mr. Carl Schueler, City Manager
El Paso County, Colorado

Re: Mountain Valley Metropolitan District, City of Colorado Springs, Colorado
Proposed Issuance of Limited Tax General Obligation Bonds, Series 2019, in the
principal amount of \$2,430,000 (the “Bonds”)

Mr. Schueler:

We have acted as counsel to Mountain Valley Metropolitan District, El Paso County, Colorado (the “District”), generally and in connection with the authorization, and evaluation by the District of the proposed issuance of Bonds. The Bonds, upon approval of the City, will be issued, executed and delivered by the District pursuant to an authorizing resolution (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”) at a special meeting. We are not counsel for individual directors of the District or for individuals who serve as directors of the District. The opinions stated herein are given in our limited capacity as legal counsel to the District for general matters.

This Letter is intended to supplement any materials received from the District, and to provide an opinion regarding the status of the District and compliance with the requirements of the Service Plan, City rules and regulations and applicable law.

Based upon our review of the District documents and the request for a statement regarding compliance with the Service Plan:

A. The District was duly organized and exists as a special district under the laws of the State of Colorado, having full power and authority to execute, deliver, and perform its obligations under the Service Plan and District Documents.

B. The members of the Board and officers of the District have been duly elected or appointed and, to the best of our knowledge, remain qualified to serve as such.

C. The Service Plan of the District and all addenda and amendments thereto (if any), were submitted to, filed and where necessary approved by all appropriate governmental agencies of the State of Colorado as required by law, and the District is not required by law to amend the Service Plan to effectuate the issuance of Bonds. The issuance of the Bonds is in conformance with the Service Plan and requirements of the City of Colorado Springs.



D. The District encompasses approximately 37.35 acres containing 141 lots, with all lots completed and sold to builders. Homes have either been completed and sold or are in the process of being built on all lots. The necessary public improvements have been constructed and completed by the Developer and final acceptance has been received. The corresponding public improvement costs have been verified and certified by an independent engineer and licensed District Accountant/CPA; and, the public improvements have been dedicated to, and are being operated and maintained by, the District.

In light of the foregoing, the District now desires to issue a Developer Bond (“2019 Bond”) in order to reimburse the original developer, Eagle Development Company, for costs it has incurred for the construction and installation of the verified and certified public improvements. In accordance with both the District’s approved Service Plan and the City’s Special District Policy:

- 1) Present and future property owners within the District will not be burdened with debt service mill levies of the District higher than the maximum debt service mill levy of thirty (30) mills set forth in the Service Plan, subject to adjustment as provided for in the Service Plan. The enclosed analysis completed by George K. Baum & Company outlines an anticipated debt service mill levy in the range of 30 to 33.167 mills, with the contemplated adjustment only as expressly authorized under Section VI(E) of the Service Plan. It should be noted that, as outlined in Section VI(E)(1)(a) of the Service Plan, when an adjustment occurs, and to the extent possible, “the actual tax revenue generated by the mill levy ... are neither diminished nor enhanced as a result of” the adjustment;”
- 2) The anticipated plan is to market the 2019 Bond exclusively to one (1) accredited investor as defined in rule 501(a) promulgated under the Securities Act of 1933 (such accredited investor is expected to be either the developer or a company related to the developer);
- 3) Repayment of principal and interest on the 2019 Bond will be limited solely to ad valorem property taxes and specific ownership taxes collected by the District;
- 4) The 2019 Bond will not be subject to default for nonpayment if the District is levying the maximum allowed mill levy under the Service Plan;
- 5) The 2019 Bond will be structured to ensure that a subsequent “refunding” bond issue, if any, will be able to be issued as a tax exempt issue, with such structure being allowed to give future members of the District’s Board of Directors financing options going forward;
- 6) The public improvements financed through the 2019 Bond consist of public improvements authorized and permitted under the District’s Service Plan;
- 7) The anticipated principal amount of the 2019 Bond (\$2,430,000) is within the \$3,068,750 debt limitation set forth in the District’s Service Plan;



8) The projected interest rate on the 2019 Bond (5.75%) is a competitive market rate that will not overburden the District; and

9) Repayment of the 2019 Bond is scheduled to occur by 2057 which complies with the 40-year debt mill levy imposition term authorized in Section VI(F) of the Service Plan.

In addition to the foregoing, there are several advantages to issuing the 2019 Bond at the present time and under the contemplated structure:

A) The private developer bond structure, as opposed to an open market issuance, will allow the District to avoid things like a reserve fund, an official statement, or the enlistment of a trustee, and the transaction documents will consequently be significantly less voluminous. All of these factors may help reduce the District's costs of issuance by approximately \$25,000 to \$50,000;

B) The private developer bond structure will still allow the District to issue the 2019 Bond as a tax exempt financing which allows for interest savings, as well as the issuance and administrative savings noted above;

C) In addition to the initial savings, the 2019 Bond also carries the possibility of continued annual savings through the use of a payment agent rather than enlisting a trustee, which could result in savings on fees and expenses of up to \$1,000 to \$1,500 per year; and

D) The Developer, rather than the District, will bear the risk should the repayment not occur in full.

Finally, from a District governance perspective, property owners will eventually assume control of the Board of Directors through the semi-annual election process, and the resident-controlled board will have both the discretion and control to determine whether to refinance the 2019 Bond in the event a lower interest rate can be achieved to obtain a net present interest savings. Such a refinancing could be accomplished without penalties and without jeopardizing the tax exempt status of the 2019 Bond.

For all these reasons, the District believes the timing and structure of the proposed 2019 Bond are appropriate and consistent with both the terms and underlying purposes of the Service Plan, the intent and purposes of the District and shall be issued in compliance with other applicable requirements and public financing laws of the State of Colorado. Therefore, the District respectfully requests that this matter be considered by the City Council at a regular meeting as soon as is reasonably possible.

We are happy to respond to any questions you may have. Thank you for your assistance.

This opinion letter is solely for your information in connection with the issuance of the Bonds, and is not to be quoted in whole or in part or otherwise referred to (except in a list of closing



documents), nor is it to be delivered to any other person (except as a part of a closing book memorializing the closing of the Bonds), without our prior written consent. Other than the addressees hereof, no one is entitled to use or rely on this opinion letter.

SPENCER FANE, LLP

Spencer Fane, LLP
A handwritten signature in blue ink that reads "Spencer Fane, LLP". Below the signature is a thick, horizontal blue scribble or underline.