

February 9, 2022

North Meadow Metropolitan District No. 3-5  
Attention: Russ Dykstra  
Spencer Fane LLP  
1700 Lincoln St., Suite 2000  
Denver, CO 80203

***RE: North Meadow Metropolitan District No. 3-5***

We have analyzed the bonding capacity for the proposed North Meadow Metropolitan District No. 3-5 (the “Districts”). The analysis presented summarizes and presents information provided on behalf of Nor’wood Development Group (the “Developer”) and does not include independent verification of the accuracy of the information or assumptions.

Plan Assumptions

The following assumptions have been provided by the Developer and form the basis of the analysis. All prices below reflect 2021 market values.

1. The residential development is anticipated to be comprised of approximately 2,599 residential units projected to be completed between 2023 through 2027. Development types include single family homes and multi-family apartment units. Estimated home prices range from \$240,000 to \$725,000 per unit with an overall average of approximately \$529,150 per unit. Home prices are estimated to appreciate at 3% per year.
2. The commercial development is anticipated to be comprised of approximately four commercial areas that total 546,416 square feet to be completed between 2024 through 2029. Estimated values are currently \$250 per square foot for a total market value of \$136.6 million. Sales collected on each unit is anticipated at \$250 per square foot with sales collection ranging from 75% to 100%.

Bond Assumptions and Debt Issuance

Debt is expected to be incurred through the public offering and sale of District bonds, which are described in greater detail below.

1. The residential and commercial debt service mill levy target is 33.398 mills beginning in tax collection year 2022 (adjusted from 30.000 mills based on changes in the residential assessment rate from 7.96% to 7.15% pursuant to certain provisions in Colorado’s Gallagher Amendment).
2. The Districts are modeled to issue bonds in May 2022. Currently, the Districts are evaluating two different structuring options for the Series 2022 Bonds:
  - a. Senior Current Interest Bonds and Subordinate Cashflow Bonds – Under this structure, the Districts would issue current interest bonds on a senior lien and a series of cashflow bonds on lien that is subordinate to the senior bonds.
    - i. Estimated Total Par - \$104,083,000
    - ii. Estimated Interest Rates – 5.000% (senior); 8.000% (subordinate)
    - iii. Total Project Funding – \$82,830,207
    - iv. Assumed Biennial Inflation Rate – 2.000% (senior); 6.000% (subordinate)

- v. Assumed Costs of Issuance – \$1,613,800
  - vi. Anticipated Surplus Fund Deposit – \$7,301,000
  - vii. Projected Coverage – Minimum of 1.30x
- b. Senior Cashflow Bonds – Under this structure, the Districts would issue a single series of cashflow bonds on a senior lien.
- i. Estimated Total Par - \$93,743,000
  - ii. Estimated Interest Rates – 5.750%
  - iii. Total Project Funding – \$92,086,855
  - iv. Assumed Biennial Inflation Rate – 6.000%
  - v. Assumed Costs of Issuance – \$1,656,145
  - vi. Anticipated Surplus Fund Deposit – n/a
  - vii. Projected Coverage – 1.00x

Total bond revenues are dependent on the following key assumptions:

- c. Annual Specific Ownership Tax revenues are modeled at a factor of 6% of annual property tax revenues.

#### Public Improvements

Public improvements are anticipated to be financed through a combination of sources, including the project fund deposits reflected in the financing plan and described above.

#### Estimate of Revenue Projections

Debt service mill levy (33.398 mills) revenues are projected to grow significantly beginning in collection year 2026 (\$1.0 million) and are estimated at to grow to over \$1.6 million in collection year 2028.

Until the District has an established assessed value that is generating property tax revenue sufficient to fund operations, the District anticipates receiving necessary operations revenue from developer advances.

#### Disclosures

It is contemplated that D.A. Davidson will provide investment banking services to the District in connection with its future bond financings or other borrowings. D.A. Davidson is not acting as a financial advisor to the District.

The assumptions disclosed in the Financial Plan are those of the Developer and have not been independently reviewed by D.A. Davidson. Those assumptions identified are believed to be the significant factors in determining financial feasibility; however, they are likely not to be all-inclusive. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as projected, and those differences may be material. Key assumptions, including those relating to market values of real property improvements and the build out schedule of such property, are particularly sensitive in terms of the timing necessary to create the tax base for the District. A small variation in these variables, and to their timing, can have a large effect on the forecasted results. There is a high probability that the forecasted results will differ from realized future tax base factors and such variations can be material. Additionally, other key assumptions relating to inflation, assessment ratios, interest rates, and infrastructure, administrative, and operating costs may, and likely will, vary from those projected.

Because D.A. Davidson has not independently evaluated or reviewed the assumptions that the financial model is based upon, we do not vouch for the achievability (and disclaim any opinion) of the information provided. Furthermore, because of the inherent nature of future events, which are subject to change and variation as events and circumstances change, the actual results may vary materially from the results presented here. D.A. Davidson has no responsibility or obligation to update this information or this financial model for events occurring after the date of this report.

Respectfully submitted,

**D.A. DAVIDSON & CO. FIXED INCOME CAPITAL MARKETS**

A handwritten signature in black ink, appearing to read 'Kyle Thomas', with a stylized, cursive script.

*Kyle Thomas*

Managing Director, Public Finance