ALEX BROWN CONSULTING

TO: Carl Schueler
FROM: Alex Brown
SUBJECT Copper Ridge Metro District Series 2016B Bonds
DATE: March 21, 2016

This memo and the attachments present information pertaining to a proposed debt issue by the Copper Ridge Metropolitan District. The District is seeking approval to issue up to $10.75 million in debt. The material submitted is the same as that presented to the City in connection with previous approvals for bond issuance.

Development in the District is continuing at a steady pace. Following the opening of Bass Pro Shops, a number of additional tenants have opened, initiated and/or announced additional facilities. Consistent with the District Service Plan and other project documents, the District is responsible for funding construction of public improvements required to support ongoing development.

The transaction documents will allow the District to borrow an additional $5.75 million for authorized public improvements. This funding will:

• Spectrum Loop at Powers Blvd bridge	$2,500,000
• Regional Detention Facility – North of Powers Blvd	100,000
• Regional Detention Facility – South of Powers Blvd Including storm structures	300,000
• Extension of Spectrum Loop road	1,000,000
• Utilities – water, wastewater, gas, electric, etc.	1,100,000
• Costs of issuance	250,000
• Reserves	500,000

In addition, the currently outstanding debt will be refinanced for two primary reasons. First, the District is now able to issue tax-exempt debt due to pending regulations issued by the US Department of the Treasury. Doing so will lower the interest rate on the debt and save the District significant amounts. Secondly, the District will extend the maturity of its debt from 10 to 20 to 25 years. This is a more traditional debt term and will allow the District to lower its annual debt payments but not extend the term of its debt beyond the useful life of the improvements that are or will be constructed.

As a result, the District is seeking approval of a total authorization of $10.75 million

The District's Bonds are secured by a limited property tax levy. The current tax levy is 22 mills (for operating and debt) and is capped at 50 mills. The District also receives Public Improvement Fee revenue. This revenue has been added to the property tax pledge which has improved the bond's credit appeal to investors.

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The District has been issuing debt with a ten year maturity. It is anticipated that the next issue will include a restructuring of existing debt with both the new money and refunding bonds being amortized over a 20 to 25 year term.

The District has retained the investment banking firm of Stifel Nicolaus to manage this transaction. The firm has indicated a level of interest rates they feel will be assigned to the bonds which are used in the debt service pro forma. Due to recent draft regulations issued by the US Department of the Treasury, the District will be able to issue the bonds as tax-exempt securities. The specific terms and covenants have not yet been negotiated with an investor. However, we are able to summarize the core terms of the bond issue. The basic terms are summarized below.

Additional attachments include:

- A financial forecast;
- The form of my fairness opinion; and
- The form of the opinion from District Counsel.

Bond Issue Terms and Covenants

The District has engaged the firm of Stifel Nicolaus as its bond underwriter. Stifel is actively soliciting term sheets from banks to refinance the Districts existing debt as well as borrow the additional amount. Accordingly, the final terms to include the interest rate will be based on this competitive process.

Although the solicitation process is in progress, many terms of the bond issue can be stated or estimated based upon market standards and Stifel's estimates based upon their market knowledge.

Security for the Bonds

The Bonds will be secured by a pledge of ad valorem taxes, limited to 50 mills in accordance with the Service Plan, and Public Improvement Fee (PIF) revenue. Public Improvement Fee revenue is produced by a 1% charge against the value of any goods purchased and subject to the City's sales tax.

Bond Details

Par- $10,750,000
Denomination- $500,000
Interest Rate- 3.75%% (estimated)
Maturity- 12/1/2036
Prepayment option- The Bonds will be subject to redemption as provided for in the final offering.
Interest payable- 6/1 and 12/1 starting 12/1/2016
Principal payable- 12/1 starting 12/1/2016

Amortization- Sinking fund payment schedule established to create level annual debt payments over the amortization term.

Additional Bonds

The sale of additional bonds will be permitted subject to certain tests. The authorization to issue more debt will be subject to: (1) no current financial or technical default, (2) no impairment to any outstanding bonds tax-exempt status and (3) coverage of all debt, existing and proposed, by pledged revenue equal to at least 125% of the maximum annual future debt payment.

Disclosure/Investor Letter

The Bonds will be sold to qualified institutional investor. The investor will be given financial and operating information by the District as requested. The investor will acknowledge their status as an institutional investor purchasing the Bonds without the specific intent to resell.

Registration of the Bond Issue

The Bonds are expected to be exempt from registration under the Colorado Bond Supervision Act on the basis of the denomination.

Additional Covenants

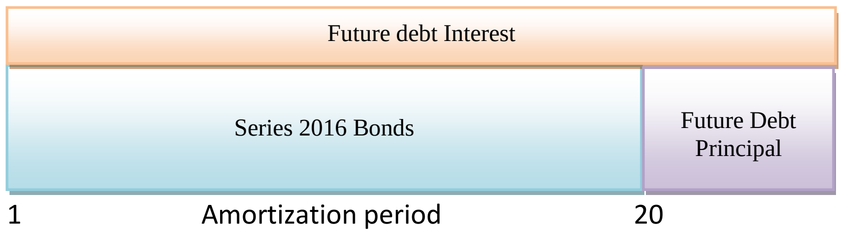
In addition to the above transaction terms, additional covenants are expected to include:

- Continuous imposition of a mill levy through debt retirement;
- Enforcement of the Public Improvement Fee covenants for imposition and collection of revenue;
- Completion of an annual audit within 180 days;
- Compliance with federal arbitrage regulations; and
- Maintenance of a debt service reserve fund.

Finance Plan

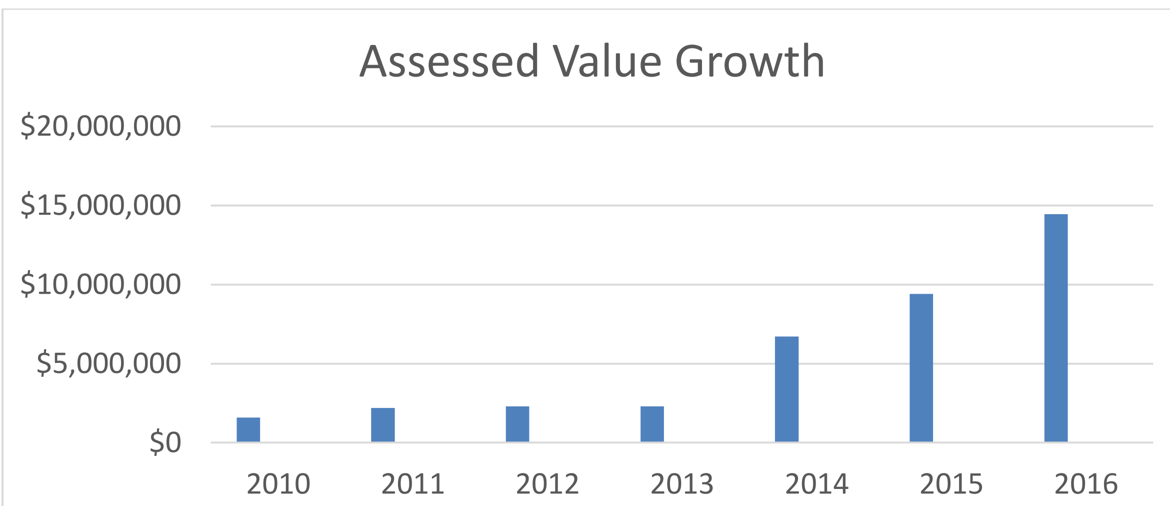
A plan of finance is being submitted with this material. It is based upon the current assessed value together with increases attributable to known development within the next two years. The District's certified assessed value for fiscal year 2016 is $14,446,370 and will increase in 2017. Public Improvement Fee revenue is based upon current collections and known store openings during the next two years. The plan documents the District's capacity to issue the new debt and repay principal and interest without materially increasing the tax rate.

The debt will be amortized over twenty years. This is shorter than many districts which issue debt that is repaid over 30 to 35 years. This term has been selected to allow for more rapid debt retirement and to accommodate future debt which will also be issued with its own 20 year maturity. The graphic below illustrates how future debt would be added.



District revenues for debt service include PIF revenue and property tax revenues. Revenue from the PIF in 2015 totaled about $335,000. Property tax revenues, at 40 mills, can generate over $575,000 annually. Together these funds provide strong security and debt payment coverage without a need for significant new growth. This is demonstrated in the attached pro forma that is based upon the District's current levy of 17 mills for debt service and historical PIF revenue. As the schedule shows, projected debt service will be exceeded by these two sources of revenue. The surplus revenue would then be available for the cash funding of projects in the near term and to support future bond issues over a long-term time frame.

The table below documents growth in the District's assessed value. The District is within a tax-increment district. Pursuant to an agreement with the Urban Renewal Authority, the District receives all tax revenue from the District's mill levy for both the property tax base and the property tax-increment.



Federal regulations defining a "political subdivision" are currently being reviewed by the Department of the Treasury for amendments. The District has been issuing taxable bonds during this review period. However, it is anticipated that this bond issue will qualify for tax-exempt status based on the draft regulations. If the District can issue tax-exempt securities, it will serve to improve coverage and overall debt capacity.

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