

January 19, 2018

Carl Schueler
Comprehensive Planning Division
City Administration Building
30 S. Nevada Avenue
Colorado Springs, Colorado 80903

Re: Proposed Upper Cottonwood Creek Metropolitan District No. 2 in the City of Colorado Springs, El Paso County, Colorado, Limited Tax General Obligation Bond, Series 2018 in a principal amount not to exceed \$7,800,000

Dear Mr. Schueler:

This office represents the Upper Cottonwood Creek Metropolitan District No. 2 (the "District"). Enclosed are: (a) the draft Resolution of the Board of Directors of the District authorizing the issuance of the District's Limited Tax General Obligation Bond, Series 2018 in a principal amount not to exceed \$7,800,000 (the "Bond Resolution") and the form of bond (as Exhibit B to the Bond Resolution) (the "2018 Bond"); (b) the financial plan for the bonds as prepared by RBC Capital Markets Corporation; (c) a certification from an External Financial Advisor as to the reasonableness of the interest rate; and draft opinion letters from Spencer Fane LLP as both general counsel and bond counsel. Please note that the Bond Resolution authorizes up to \$7,800,000. The final bond amount will be determined at the time of issuance.

Pursuant to the City of Colorado Spring's current policy relating to special districts (which policy was approved by the City on January 24, 2006) (hereinafter, the "Special District Policy"), copies of the Bond Resolution and the 2018 Bond are being provided to your office in order that City Council may act to approve the same at an upcoming meeting. The 2018 Bond will be repaid by a mill levy that will not exceed 33.166 mills per year, subject to additional Gallagher adjustments as described in the Bond Resolution. The 2018 Bond will bear interest at 6%, and will finally mature on December 1, 2047.

In accordance with the Special District Policy:

A. Present and future property owners within the District will not be burdened with debt service mill levies of the District higher than the limited debt service mill levy set forth in the Service Plan. The Service Plan contains a maximum debt service mill levy 30 mills, which has been adjusted due to a change in the rate off assessing residential property as allowed for in the Service Plan. The enclosed tax levy analysis completed by RBC Capital Markets Corporation reflects an anticipated debt service mill levy amount of 33.166 mills.

B. Repayment of principal and interest on the 2018 Bond is limited to ad valorem property taxes and a portion of the specific ownership tax collected by the District.

C. The 2018 Bond shall not default for nonpayment if the District is levying the maximum allowed mill levy.

D. The public improvements to be financed by the 2018 Bond consist of street, water, sewer, and park and recreation improvements, together with all necessary incidental, and appurtenant

facilities, equipment, land and easements and extension of any improvements to said facilities.

In accordance with the Special District Policy, issuance of the 2018 Bond will not occur until the enclosed documents have been reviewed by City Council to ensure compliance with City policy.

The principal amount of the 2018 Bond (\$7,800,000) is within the debt limitation established in the District's Service Plan.

At your earliest convenience, please have City Council review the enclosed documents to ensure that the 2018 Bond is being issued in compliance with the Special District Policy. The District would like to close the transaction as soon as possible.

If you have any questions, or need anything further, please do not hesitate to contact this office.

Sincerely,

George M. Rowley

Enclosures