Littleton Village Metropolitan District No.2

Independent Evaluation of the Proposed Series 2018 Refunding

April 20, 2018

Prepared by:

North Slope Capital Advisors

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I. INTRODUCTION AND SCOPE OF WORK

The purpose of this report is to summarize the preliminary findings of North Slope Capital Advisors based on the analytical work the firm has performed to date as Financial Advisor to Littleton Village Metropolitan District #2 (the "District"). As an Independent Registered Municipal Advisor, regulated by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board, North Slope Capital Advisors has established a fiduciary duty of loyalty and care to put the financial interests of the District ahead of its own business interests. North Slope was engaged by the District as an independent registered financial advisor on April 3, 2018 to perform, in accordance with industry best practices, the work detailed below as described in the Financial Advisory Engagement Letter:

1. **Confirm the District's Financing Goals.** North Slope Capital Advisors will meet with the District Board, and other professionals hired to serve the Board in various capacities, to confirm and refine the goals for the proposed financing. Those goals may include decreasing the District's existing obligations, lowering its cost of capital and/or creating a path to lower taxes.

2. **Conduct an Independent Evaluation the Proposed Financing.** North Slope Capital Advisors will review and analyze certain alternatives available to the District to accomplish its stated financing goals. North Slope Capital Advisors will develop a proprietary financial model that will be an independent evaluation of the proposed financing and will quantify the cash flow and present value repayment cost difference between the existing and proposed debt. North Slope Capital Advisors will issue a report summarizing the benefits and risks present in the plan of finance from the perspective of District taxpayers and will comment on the advisability of the proposed bond issuance.

3. **Pricing Comfort.** North Slope Capital Advisors will review the pricing of the transaction and provide comfort to the District that the interest rates and other structuring elements (redemption features, amortization, etc.) are fair and reasonable given the size, structure and credit quality of the transaction. If requested, North Slope Capital Advisors will review and sign a "Financial Advisor" or "Pricing Certificate" as a part of closing documentation, if necessary.

II. CONFIRM THE DISTRICT'S FINANCING GOALS

We understand the goals of the District for the proposed refinancing to be as follows:

1. Achieve an estimated present value savings of at least 10% of the principal amount refinanced. Present value savings are calculated and presented net of all transaction costs. The established 10% present value savings target for the District's refinancing exceeds the Government Finance Officers' Association recommended minimum present value savings target of 3% of refinanced principal.

2. Lower the debt burden (principal and accrued unpaid interest) of the District via Developer forgiveness of a portion of the outstanding Series 2014A and/or 2014B principal and unpaid accrued interest, in order to achieve the estimated present value savings target identified in #1 above.

III. INDEPENDENT EVALUATION AND ANAYLSIS

Document Review. As part of our evaluation and analysis of the District's proposed refinancing, North Slope reviewed financing documents associated with prior bond issuances, the District service plan, and the various construction funding agreements supplied by White Bear Ankele "("WBA"), information on the outstanding Series 2014A and B Bonds supplied by Clifton Larson Allen ("CLA"), and refunding cash flows supplied by DA Davidson.

North Slope Capital's scope of work does not include verification or "comfort" on the financing assumptions in the DA Davidson refunding model including but not limited to: assumed biennial reassessment increases of 9%, assumed biennial declines in the residential assessment ratio of 6%, and market value and timing of the remaining residential and commercial development.

Financial Modeling. As part of our evaluation and analysis of the District's proposed refinancing, North Slope constructed a cash flow model that includes:

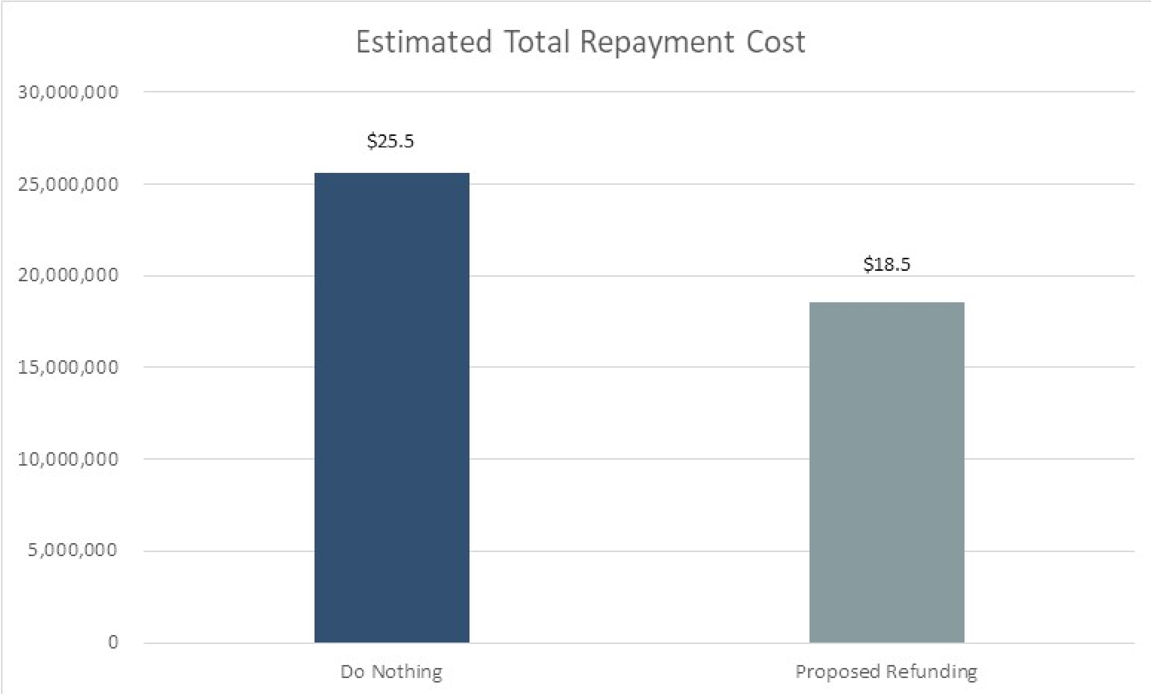
- Actual and projected residential and commercial property values (supplied by DA Davidson)
- Retail sales tax projections for forecasting net public improvement fee revenues (supplied by DA Davidson)
- Projected assessed valuation by property type and year (calculated)
- Total revenues available for debt service (calculated)
- Debt service by series including existing debt and the proposed Series 2018 bond issue (from the Series 2015 offering document and from CLA on the 2014A and Bs)
- Cash flow and present savings (calculated)

The following assumptions were used in the financing model. Cash flows by year were presented valued back at 9%, the estimated cost of capital on the Series 2018 financing, the industry standard to present valuing savings.

Summary of Savings Analysis Assumptions	
Assumed Biennial Reassessment Rate	9.0%
Property Tax Collection Rate	98.0%
Assumed Biennial Decline in Residential Assessment Ratio	6.0%
Series 2014 A and B Interest Rate	8.0%
Estimated Series 2018 Interest Rate	9.0%
Tear Up Amount	2,200,000
2014A and B Refunded Principal	5,198,930
2014A and B Refunded Principal + Tear Up Amt.	7,398,930
Estimated Present Value Savings at $2.2 MM Tear Up	766,314
Present Value Savings Percentage	**10.4%**

Using these assumptions, North Slope Capital calculates an estimated cash flow savings of nearly $7 million as shown in the charts below. The Gallagherized mill levy that would be offered to Series 2018 bondholders allows for prepayment of debt in the years 2026-2036 not possible in the "Do Nothing" case due to a hard debt service mill cap of 50 mills. In addition, the tear up of $2.2 million in debt today allows for accelerated repayment of the remaining principal and unpaid accrued interest.

Graph 1



Graph 2

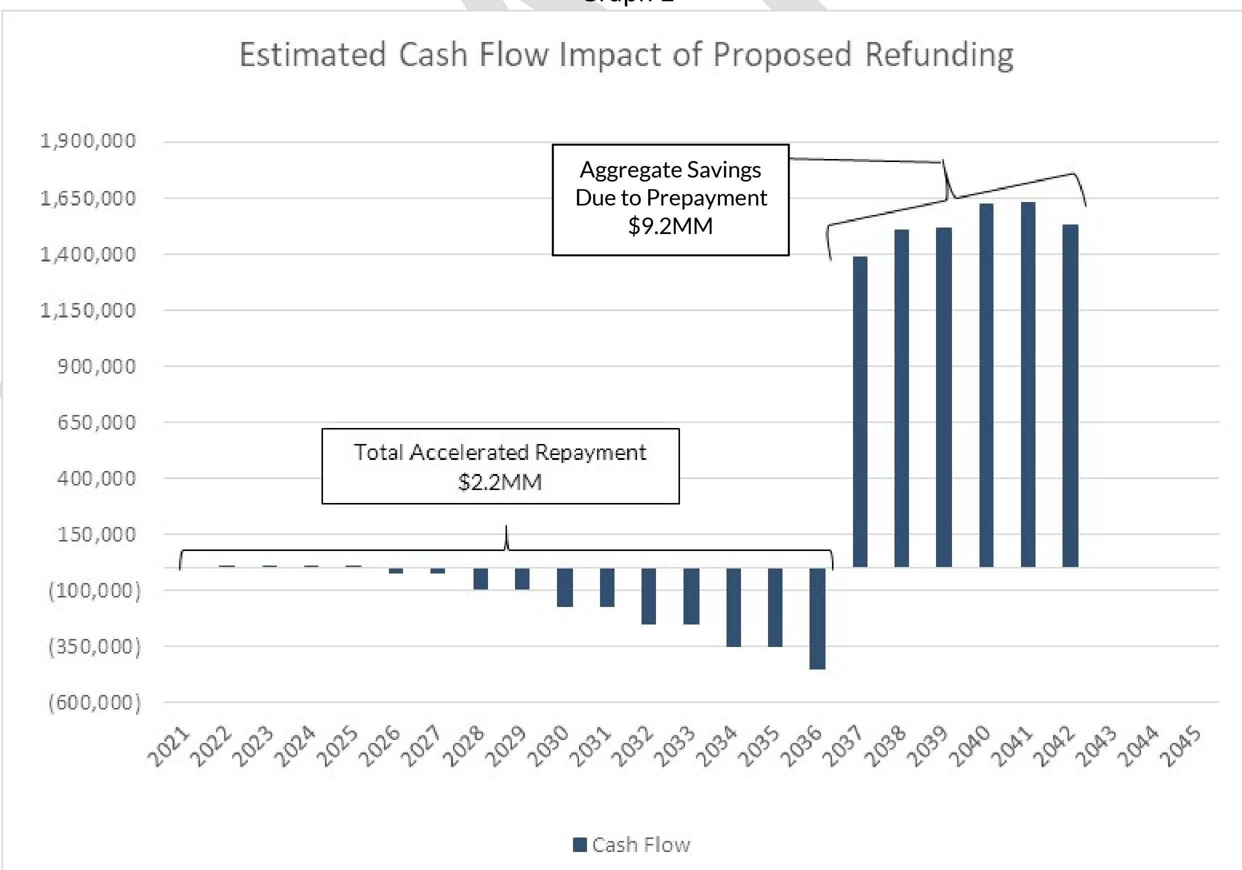
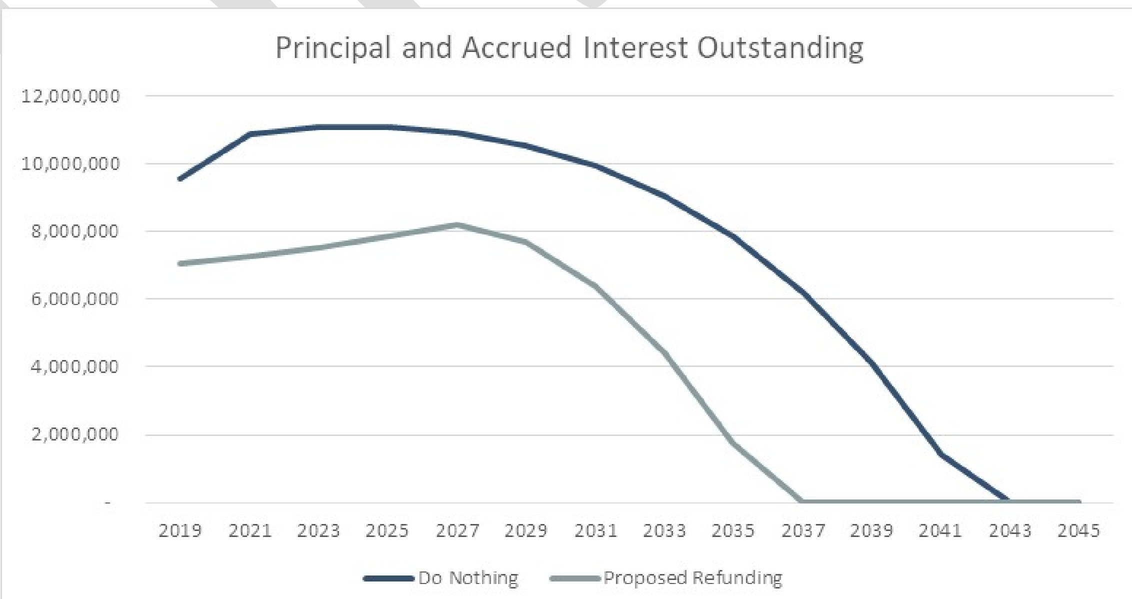


Table 1

DEBT SERVICE SAVINGS				
	"Do Nothing" 2014 Debt Service	Proposed 2018 and 2014 Debt Service	Cash Flow Savings	Present Value Savings
2018	0	0	0	-
2019	0	0	0	-
2020	0	0	0	-
2021	282,513	282,513	0	-
2022	759,591	759,572	19	13
2023	762,307	762,288	19	11
2024	876,512	876,492	20	11
2025	881,156	881,136	20	10
2026	980,829	1,003,153	(22,324)	(10,279)
2027	987,690	1,010,014	(22,324)	(9,430)
2028	1,050,585	1,141,110	(90,525)	(35,081)
2029	1,059,952	1,150,477	(90,525)	(32,185)
2030	1,130,514	1,296,990	(166,476)	(54,301)
2031	1,137,408	1,303,884	(166,476)	(49,817)
2032	1,216,352	1,467,295	(250,943)	(68,893)
2033	1,221,065	1,472,008	(250,943)	(63,205)
2034	1,304,144	1,648,862	(344,718)	(79,655)
2035	1,312,238	1,656,957	(344,718)	(73,078)
2036	1,405,246	1,853,936	(448,690)	(87,266)
2037	1,411,748	23,080	1,388,668	247,781
2038	1,510,526	0	1,510,526	247,270
2039	1,515,999	0	1,515,999	227,675
2040	1,621,706	0	1,621,706	223,441
2041	1,631,718	0	1,631,718	206,257
2042	1,526,582	0	1,526,582	177,034
2043	0	0	0	0
2044	0	0	0	0
2045	0	0	0	0
2046	0	0	0	-
	25,586,381	18,589,766	6,996,614	766,314

Table 3



IV. PRICING COMFORT

[to come at time of pricing]

V. CONCLUSION

Refinancing $5.198 million of Series 2014A and/or Series 2014B Bonds, together with a tear up on not less than $2.2 million of Series 2014A and/ Series 2014B Bonds accomplishes the financing goals set forth in Section II assuming a 9% interest rate on the Series 2018 Bonds and assuming the market and assessed valuation projections contained in the DA Davidson LVMD model are realized.

As shown in Table 1 in Section III above, assuming a 9% biennial reassessment rate and the other assumptions listed above, North Slope Capital Advisors calculates the net present value savings produced by the refunding to be $766,000, 10.4% of the refinanced principal amount including the tear up amount, or 14.7% of the refinanced principal amount alone. These estimated net debt service savings are in excess of the Government Finance Officers' Association best practice target of 3% net present value savings. In addition, the line graph on page 6 in Section III shows estimated outstanding principal and accrued interest to be lower in the Refunding Case compared to the "Do Nothing" Case from 2018 to 2042 (the estimated final maturity of the 2014 bonds in the "Do Nothing" Case).

The proposed refunding would lower the District 2 debt burden from $19.0 million to $16.8 million, a 11.6% reduction, effective at closing.

In summary, the proposed refunding evaluated by North Slope Capital Advisors per our engagement and as a fiduciary to the District, meets the identified financing goals set forth in Section II of this report.