**BASE VILLAGE METROPOLITAN DISTRICT NOS. 1 & 2**
JOINT SPECIAL MEETING
Wednesday, November 16, 2016 at 11:00 AM
Capitol Peak Conference Center
110 Carriage Way
Snowmass Village, Colorado

Matt Foley, President
Term to May, 2020

Craig Monzio, Assistant Secretary
Term to May, 2018

Steve Sewell, Secretary
Term to May, 2020

Jim D'Agostino, Assistant Secretary
Term to May, 2020

Leticia Hanke, Treasurer
Term to May, 2018

Agenda

1. Call to Order

2. Declaration of Quorum

3. Director Conflict of Interest Disclosures

4. Approval of Agenda

5. Financial

    a. Review Proposed Refinancing Plan/Updated North Slope Capital Report

6. Public Comment Public Comment—*Members of the public may express their views to the Board on matters that affect the Districts. Comments will be limited to three (3) minutes.*

7. Legal

a. District No. 2—Consider adoption of resolution authorizing the issuance by District No. 2 of its Limited Tax General Obligation Refunding Bonds, Series 2016A (the "Series 2016A Senior Bonds"), in an aggregate principal which, when combined with the aggregate principal amount of the proposed Series 2016B Subordinate Bonds, described in paragraph (b) below, will not exceed $58,000,000, to be issued for the purpose of refunding existing general obligation indebtedness of the District and, in connection therewith, approving the execution and delivery of and performance under an Indenture of Trust, a Capital Pledge Agreement, a Continuing Disclosure Agreement, a Bond Purchase Agreement, and related documents and instruments; authorizing the use of a Preliminary Limited Offering Memorandum in connection with the offer and sale of the Series 2016A Senior Bonds; making findings in connection with the foregoing; delegating authority to one or more members of the Board to make certain determinations relating to such bonds as authorized under Section 11-57-205, C.R.S.; authorizing incidental action; and repealing prior inconsistent actions.

b. District No. 2—Consider adoption of resolution authorizing the issuance by District No. 2 of its Subordinate Limited Tax General Obligation Refunding Bonds, Series 2016B (the "Series 2016B Subordinate Bonds"), in an aggregate principal which, when combined with the aggregate principal amount of the proposed Series 2016A Senior Bonds, described in paragraph (a) above, will not exceed $58,000,000, to be issued for the purpose of refunding existing general obligation indebtedness of the District and, in connection therewith, approving the execution and delivery of and performance under an Indenture of Trust and related documents and instruments;

making findings in connection with the foregoing; delegating authority to one or more members of the Board to make certain determinations relating to such bonds as authorized under Section 11-57-205, C.R.S.; authorizing incidental action; and repealing prior inconsistent actions.

c. District No. 1— Consider adoption of resolution authorizing District No. 1 to enter into a limited tax obligation in the form of a Capital Pledge Agreement in connection with the issuance by Base Village Metropolitan District No. 2 of its Limited Tax General Obligation Refunding Bonds, Series 2016A (and any refundings thereof and future parity obligations, if any); authorizing a Termination Agreement Relating to the 2013 Capital Pledge Agreement; authorizing the execution and delivery of and performance under such agreements and other documents relating thereto; making findings in connection with the foregoing; authorizing incidental action; and repealing prior inconsistent actions.

7. Adjourn

BASE VILLAGE METROPOLITAN DISTRICTS NO. 1 AND 2
SUMMARY OF PROPOSED REFINANCING

PREPARED BY NORTH SLOPE CAPITAL ADVISORS
NOVEMBER 11, 2016

## District Refresher

There are two interrelated metropolitan districts at Base Village. The joint debt service and operations and maintenance obligations of the two districts are set forth in various reimbursement agreements, intergovernmental agreements, and the 2013A Loan and 2013B Bond documents.

## Refinancing Goals

The proposed refinancing of existing District 1 and 2 debt obligations is intended to accomplish the following goals:

1) Capitalize on long-term interest rates at historic lows with a refinancing of the existing Series 2013A Loan. The Series 2013A Loan is structured with a 2020 bullet maturity, subjecting the Districts to interest rate risk in 2020.
2) Facilitate the planned real estate closing, including the orderly and complete exit of Related from the Base Village Metropolitan District asset.
3) Lower District 2's current debt burden of $63.25 million ($49.37 million in principal and $13.87 million in accrued unpaid interest).
4) Shift the financial burden of annual operations and maintenance to District 1, eliminating the operations and maintenance mill levy as soon as District 1 assessed valuation supports full payment of such expenses.
5) Achieve property tax savings (debt service and operations and maintenance) equal to or exceeding the Government Finance Officers' Association ("GFOA") minimum recommended savings target. The GFOA recommends present value savings, net of transactions costs, of more than 3% of the principal amount refinanced (or $1.9 million in District 2's case);
6) Position District 2 for a potential future investment grade refinancing on the lower principal amount than would otherwise be outstanding on District 2's current course.

Lastly, while not included in North Slope Capital's October 13th report to the Board, we understand that simplification of the current multi-tier debt stack with its various interest rates, put and discharge dates, and other requirements to be of value to East West Partners and other existing and new owners.

## Proposed Refinancing Plan

Under the proposed refinancing plan, the Districts' current joint four tranche debt structure would be simplified and parsed by District, with District 2 taxes securing Series 2016A and 2016B bond payments, and District 1 taxes paying: 1) District 2 2016A debt service in the event District 2 debt service taxes are insufficient, 2) 100% of operations and maintenance expenses as soon as District 1 assessed valuation supports such payment (estimated to be 2020) 3) existing and new Reimbursement Obligations for operations and capital including principal and accrued unpaid interest.

While the refunding bond structure has not been finalized, it is currently anticipated the Series 2016A issue will be approximately $32.5 million and will carry a long-term interest rate of around 5.15% with a final maturity of 2046. The Series 2016B issue is currently estimated to be approximately $13.5 million with an estimated rate of 6.5% and a discharge date in 2048. Interest rates on the existing District obligations range from 3.05% to 10%. Assuming these preliminary 2016A and B bond amounts, approximately $16 million of existing District 2 debt obligations would be forgiven or reassigned to District 1 exclusively under the proposed refinancing. **The Series 2016A and 2016B bond sizes will change based on market conditions at the time of sale.**

It is also expected the Series 2016A and 2016B Bonds will be callable in 2022, allowing for a future investment grade refinancing if assessed valuation growth occurs as projected.

Estimated District 2 tax savings (in 2016 dollars) produced by the proposed refinancing range between $2.0 and $6.5 million depending on the assumed rate for future growth in assessed valuation due to biennial reassessment, due to a step down in the mill levy from 43.5 mills to 37.5 mills in approximately 2020. **No District 1 tax savings are expected since the District 1 mill levy is projected to remain at 43.5 mills beyond the 40-year cash flow analysis timeframe.**

## Financial Advisor Pricing Certificate

North Slope Capital Advisors will continue to monitor the proposed refunding of existing District debt, up to the time of pricing and final bond sizing. Upon final bond pricing, North Slope will provide a certification that the interest rates and structuring features of the Series 2016A and 2016B Bonds are on-market and that the final financing meets the goals identified above.

**Existing Debt - Estimated as of Refunding Date**

| | Principal | Interest | Total | Rate | |
|---|---|---|---|---|---|
| Series 2013A | $ 18,445,000 | $ 21,878 | $ 18,466,878 | 3% going to est. 5.5% | |
| Series 2013B | $ 23,760,000 | $ 4,111,187 | $ 27,871,187 | 6.5% | |
| Guarantor Bonds | $ 1,278,000 | $ 6,714,593 | $ 7,992,593 | 10.0% | |
| TOTAL | $ 43,483,000 | $ 10,847,658 | $ 54,330,658 | ----------> | (A) |

**New Debt- Net Proceeds for Refunding - Estimated as of November 11**

| | Net Proceeds | | |
|---|---|---|---|
| Series 2016A | $ 30,778,901.65 | 5.34% TIC | |
| Series 2016B | $ 13,250,000.00 | 6.50% | |
| TOTAL | $ 44,028,901.65 | ----------> | (B) |

**Forgiven Debt - Estimated Results**

| | **TOTAL** |
|---|---|
| Series 2013B | $ 2,309,163.17 |
| Guarantor Bonds | $ 7,992,593.00 |
| =(A)-(B) | $ 10,301,756.17 |

* District 2 will also be released from all Reimbursement Obligations as part of this refunding.

**Base Village Metropolitan District No. 2**
**Term Sheet**
**Series 2016A Limited Tax General Obligation Senior Bonds**
**$32,535,000 Par Amount (estimated)**
(as of November 11, 2016)

*FOR DISTRICT USE ONLY*
*PROSPECTIVE INVESTORS SHOULD REVIEW THE BOND DOCUMENTS*

| | |
|---|---|
| **Delivery Date:** | December 15, 2016 |
| **Par Amount:** | $32,535,000 (estimated) |
| **2013 A Reserve Fund:** | $1,246,000 (estimated) |
| **Refund 2013A:** | $18,466,878 (estimated) |
| **Refund 2013B:** | $11,440,452 (estimated) |
| **Supplemental Fund:** | $9,679,538 (estimated) – Secured proceeds held by Trustee to be released at building permit for the residential and commercial future development on a per building basis. Any amounts left undrawn after December 1, 2019 will be used to call 2016A bonds on a prorate basis. |
| **Reserve Fund:** | $747,663 (estimated) |
| **Initial Credit to Surplus Fund:** | $1,865,000 (estimated) |
| **Costs of Issuance:** | $1,261,000 (estimated) |
| **Payment Dates:** | Semi-annual interest payments on June 1 and December 1 with principal payments annually on December 1 |
| **Tax Status:** | Tax-exempt, Non-AMT, not BQ |
| **Rating:** | Non-Rated |
| **Interest Rate:** | 5.34% (estimated TIC) |
| **Maturity:** | 12/1/2046 |
| **Optional Redemption:** | 12/1/22 at a premium of 103% declining 1% per year |

| | |
|---|---|
| **Pledged Revenue:** | From District 2 a minimum required mill levy of 37.5 mills with a maximum required pledge of up to 43.5 mills (the debt service mill levy cap) plus Specific Ownership tax applied in the manner described in the Indenture. From District 1, up to 43.5 mills applied in the manner described in the Indenture. District 2 also pledges system development fees of $5,150 per residential unit. |
| **Surplus Fund:** | District 2 will be required to levy 37.5 mills for debt service until the Surplus Fund reaches $1mm. Approximately $1,860,000 will be contributed to the Surplus Fund at closing from bond proceeds. |
| **Additional Senior Debt:** | Allowed with majority senior bondholder consent. Allowed without consent up to 50% combined debt to assessed. |
| **Subordinate Debt:** | Subordinate bonds may be issued provided that they pay debt service annually only after payment on senior bonds and assuming that the subordinate bonds are in compliance with the parameters for issuance under any existing subordinate bond documents. |
| **Trustee**: | UMB |
| **Title 32 qual.:** | Issued to financial institutions or institutional investors |
| **Title 11 exemption:** | $500,000 denominations |

**Series 2016B Limited Tax General Obligation Developer Held Subordinate Bonds**
**$13,250,000 Par Amount (estimated)**

*FOR DISTRICT USE ONLY*
*PROSPECTIVE INVESTORS SHOULD REVIEW THE BOND DOCUMENTS*

| | |
|---|---|
| **Closing Date:** | Same as 2016A |
| **Par Amount:** | $13,250,000 (estimated) |
| **Refund 2013B:** | $13,250,000 (estimated) |
| **Interest Rate:** | 6.50% (estimated) |
| **Rating:** | Non-Rated |
| **Tax-Exempt:** | Yes, Non-AMT, not BQ |
| **Maturity:** | December 15, 2042 |
| **Optional Redemption:** | Anytime |
| **Discharge Date:** | December 15, 2048 |
| **Structure:** | The bonds are structured as cash flow bonds that pay each year on December 15th. Any Pledged Revenue available to the subordinate bonds will be used to pay current interest, accrued interest, then principal. Interest not paid when due will accrue and compound annually at the rate on the bonds. |
| **Pledged Revenue:** | Subordinate lien on revenues produced from a debt service mill levy of pledge of 37.5 mills from District No. 2, and associated specific ownership taxes, plus the system development fees of $5,150 per residential unit from District No.2. |
| **Additional Debt**: | Senior debt allowed without subordinate bondholder consent if payments are lower in every year and any proceeds are used to pay down subordinate bonds. Additional subordinate debt allowed with 100% subordinate bondholder consent. |
| **Trustee**: | UMB |
| **Title 32 qual.:** | 50 mill hard cap |
| **Title 11 exemption:** | $500,000 denominations |

D|A DAVIDSON
D.A. Davidson & Co. member SIPC

**Bond Issuance Key Documents**

Bond Resolutions – District No. 2 – Series 2016A Bonds and Series 2016B Bonds

- Two separate Resolutions, one for each Series
- Authorizes Bonds to be issued
- Authorizes District Board member, in consultation with North Slope Capital, to approve final pricing and terms based on actual marketing results (limited to a 90 day period)
- Establishes parameters governing maximum par amount, maximum interest rate, redemption premiums for early call
- Approves the form of key financing documents (described below), subject to changes necessary to complete the transaction as approved by District General Counsel, North Slope Capital (where appropriate), and a Board Member
- Authorizes use of the Preliminary Limited Offering Memorandum (Series 2016A Bonds only) to market 2016A Bonds to prospective investors
- Authorizes execution of documents necessary to close the transaction
- Authorizes payment of costs of issuance from Bond proceeds

Major Documents Approved as to Form by Series 2016A and Series 2016B Bond Resolution

- Indenture of Trust – Establishes District obligations to levy taxes to pay Bonds; establishes various funds to receive revenues to be applied to payment and/or security for the Bonds; appoints a Bond Trustee to administer funds received to make bond payments; establishes various obligations of the District to maintain tax-exempt status of bonds, maintain administrative compliance with Colorado laws, etc

- Bond Purchase Agreement – Establishes agreement of D.A. Davidson to buy the Series 2016A Bonds in connection with marketing to investors; establishes various conditions to closing, issuance of legal counsel opinions, issuance of various closing certificates

- 2016 Capital Pledge Agreement – Establishes obligation of District No. 1 to levy taxes up to 43.5 mills in support of Series 2016A Bonds if District No. 2 tax revenues are insufficient to meet annual debt service, and to pay such taxes to the Bond Trustee

- Preliminary Limited Offering Memorandum – Disclosure document distributed to prospective investors describing material facts concerning the Bonds, the District and the Project

Resolution Approving Capital Pledge Agreement – District No. 1 – Series 2016A Bonds

- Approves the form of 2016 Capital Pledge Agreement
- Authorizes changes to terms of Agreement to complete the transaction as approved by District General Counsel, North Slope Capital (as applicable), and a Board Member

Ancillary Agreements Necessary for Transaction (to be considered at November 28 Special Meeting)

- District No. 2 Capital Facility Fee Resolution – reauthorizes imposition of a one-time capital fee for residential units upon initial sale to end user ($5,150 per unit)

- Termination of Amended and Restated District Public Improvements, Joint Financing, Construction and Service Agreement (District No. 1 and District No. 2) – established manner in which District No. 1 and District No. 2 would cooperate in providing public infrastructure; no longer necessary as being replaced with Operation, Maintenance and Administrative Services Agreement

- Operation, Maintenance and Administrative Services Agreement (District No. 1 and District No. 2) – establishes obligation of District No. 1 to operate and maintain District No. 1 owned facilities on behalf of both Districts (e.g., Conference Center, District parking spaces, Transit Center, miscellaneous other retained improvements); establishes obligation of District No. 2 to levy taxes up to 6 mills to help pay for costs, subject to elimination when District No. 1 revenues are sufficient alone to fund these costs

- Omnibus Funding and Reimbursement Agreement (District No. 1 and East West Partners Entity)– consolidates all existing reimbursement obligations into a single agreement, releases District No. 2 from any obligation to reimburse, and obligates District No. 1 to reimburse for such costs from revenues, when, as and if available

- Operations Guaranty Agreement (District No. 1 and East West Partners Entity) – obligates East West Partners Entity to fund District No. 1 operating costs, to extent revenues are otherwise insufficient

- Resolutions approving certain Court filings to ensure that future development is included within the proper District (residential into District No. 1 and commercial into District No. 2)

# Base Village Metropolitan District No.2

## Independent Evaluation of Refinancing Proposal

## Financial Advisor Report

**November 12, 2016**

**Prepared by:**

North Slope Capital Advisors

# Table of Contents

# I. INTRODUCTION AND SCOPE OF WORK

The purpose of this Report is to summarize the preliminary findings of North Slope Capital Advisors in connection with a proposed refinancing of Base Village Metropolitan District #2 ("District 2") debt obligations. As an Independent Registered Municipal Advisor, regulated by the Securities and Exchange Commission and the Municipal Securities Rulemaking Board, North Slope Capital Advisors has 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 2 as an Independent Registered Municipal Advisor on September 22, 2016 to perform, in accordance with industry best practices, the work detailed below as described in the executed Financial Advisory Engagement Letter:

1. **Confirm the District's Financing Goals.** Prior to engagement, North Slope Capital Advisors understood the goals of the proposed Series 2016 refinancing to include but not be limited to: 1) refinancing the Series 2013A balloon payment, 2) decreasing District 2's existing obligations, lowering its cost of capital and capturing debt service savings and 3) creating a path to lower taxes.

   Subsequent to being engaged, North Slope Capital conferred with various professionals including bond counsel to the District, District counsel, District accountant, DA Davidson, Related and East West Partners to confirm these primary goals and identify other financing objectives.

2. **Conduct an Independent Evaluation the Proposed Financing.** North Slope reviewed and analyzed two financing alternatives available to District 2 to accomplish its stated financing goals. North Slope Capital independently modeled the financing alternatives and quantified the cash flow and present value repayment cost difference between the existing and proposed debt. North Slope is issuing this report summarizing the benefits and risks present in the plan of finance from the perspective of District 2 taxpayers, including commentary on the advisability of a proposed refunding bond issuance.

3. **Pricing Comfort.** If District 2 determines to execute on the proposed refunding, North Slope will review the pricing of the transaction and provide comfort 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, the firm will review and sign a "Financial Advisor" or "Pricing Certificate" as a part of closing documentation.

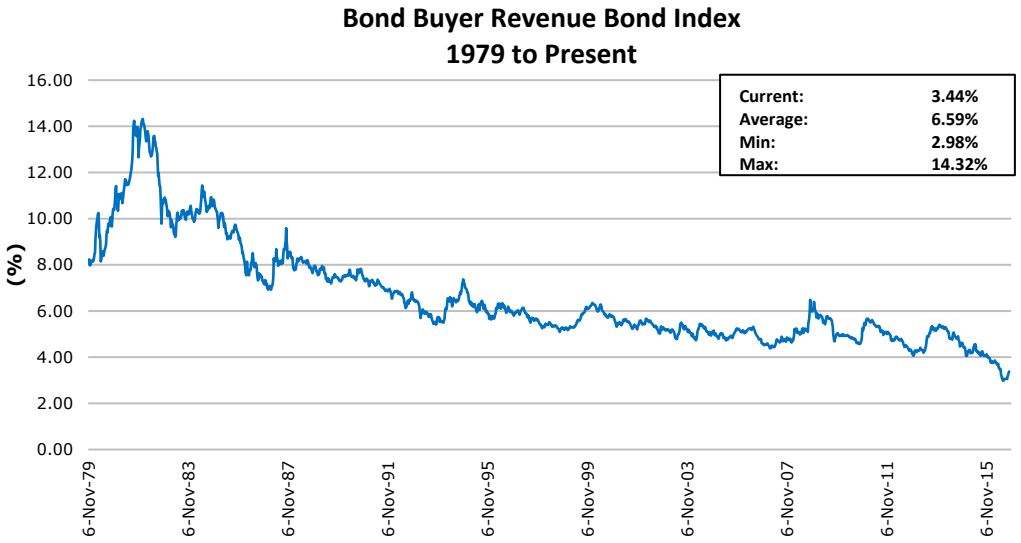
# II. REVIEW OF FINANCING GOALS

It is our current understanding that the goals of District 2 for any refinancing of its existing obligations include the following:

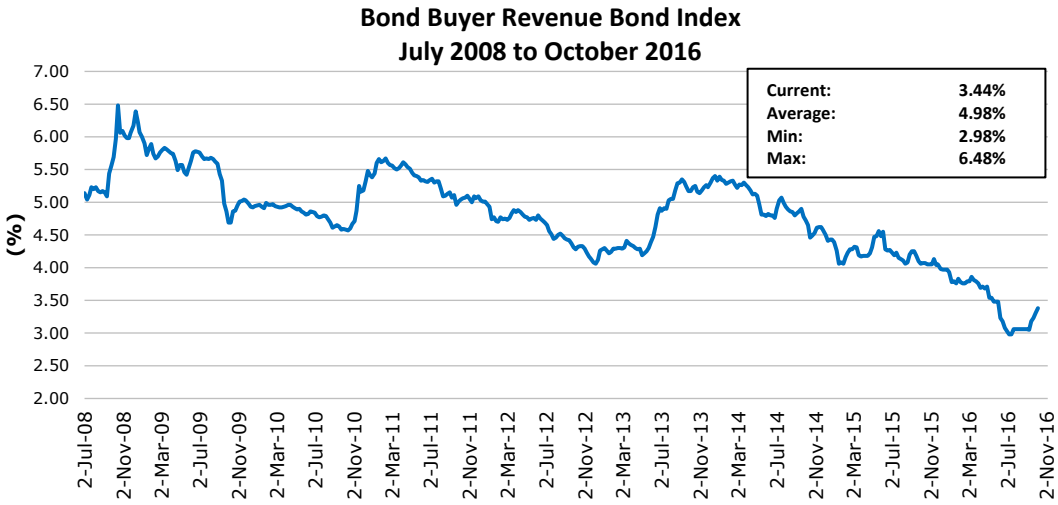
1) Capitalize on long-term interest rates at historic lows with a refinancing of the existing Series 2013A Loan. The Series 2013A Loan is structured with a 2020 bullet maturity, subjecting the Districts to interest rate risk in 2020.

   The two interest rate graphs on the following page show current market interest rates equal to half the historic average of the Bond Buyer Revenue Bond Index, a major index for the tax-exempt

bond market, and roughly 200 basis points below interest rates in 2008 at the time of the first Base Village Metropolitan District bond issuance.




Source: Bloomberg. The Revenue Bond Index consists of 25 various revenue bonds that mature in 30 years.




Source: Bloomberg. The Revenue Bond Index consists of 25 various revenue bonds that mature in 30 years.

2) Facilitate the planned real estate closing, including the orderly and complete exit of Related from the Base Village Metropolitan District asset.

3) Lower District 2's current debt burden of $63.25 million ($49.37 million in principal and $13.87 million in accrued unpaid interest).

4) Shift the financial burden of annual operations and maintenance to District 1, eliminating the operations and maintenance mill levy as soon as District 1 assessed valuation supports full payment of such expenses.

5) Achieve property tax savings (debt service and operations and maintenance) equal to or exceeding the Government Finance Officers' Association ("GFOA") minimum recommended savings target. The GFOA recommends present value savings, net of transactions costs, of more than 3% of the principal amount refinanced (or $1.9 million in District 2's case).

6) Position District 2 for a potential future investment grade refinancing on the lower principal amount than would otherwise be outstanding on District 2's current course.

Lastly, while not included in North Slope Capital's October 13th report to the Board, we understand that simplification of the current multi-tier debt stack with its various interest rates, put and discharge dates, and other requirements to be of value to East West Partners and other existing and new owners.

# III. INDEPENDENT EVALUATION AND ANAYLSIS

**Document Review.** As part of our evaluation of certain refinancing options available to the District under two different reassessment cases, North Slope reviewed the principal financing documents associated with prior bond issuances, including:

- The Series 2008 transcript
- The 2009 cash collateralization transcript,
- The Series 2013 transcript, and
- Various letter of credit extension documents (2010, 2011, and 2012).

In addition to reviewing the various financing documents listed above, North Slope also reviewed documents between the two districts and the developer, including:

- The Advance and Reimbursement Agreement (and amendments),
- The Infrastructure Acquisition and Reimbursement Agreement (and amendments),
- The Intergovernmental Agreement,
- The Amended and Restated Consolidated Service Plan,
- The DA Davidson Term Sheet dated September 29, 2016, and
- RCLCO Real Estate Advisors' Draft Market Study dated October 7, 2016.

**Financial Modeling.** The primary goal of North Slope Capital's modeling and analysis of District 2's existing obligations, projected future assessed valuation and resulting tax burden, and the proposed refunding was to quantify the estimated savings, if any, that could accrue to District 2 taxpayers under the refinancing detailed in DA Davidson's September 29th presentation to the Board identified as "Option 3". For the balance of this report, "Option 3" will be referred to as the Refunding Case. "Option 1" of the same September 29th presentation contemplated no District action at this time to refinance or restructure existing obligations. For the balance of this report DA Davidson's "Option 1" will be referred to as the "Base Case" or the "Do Nothing" case.

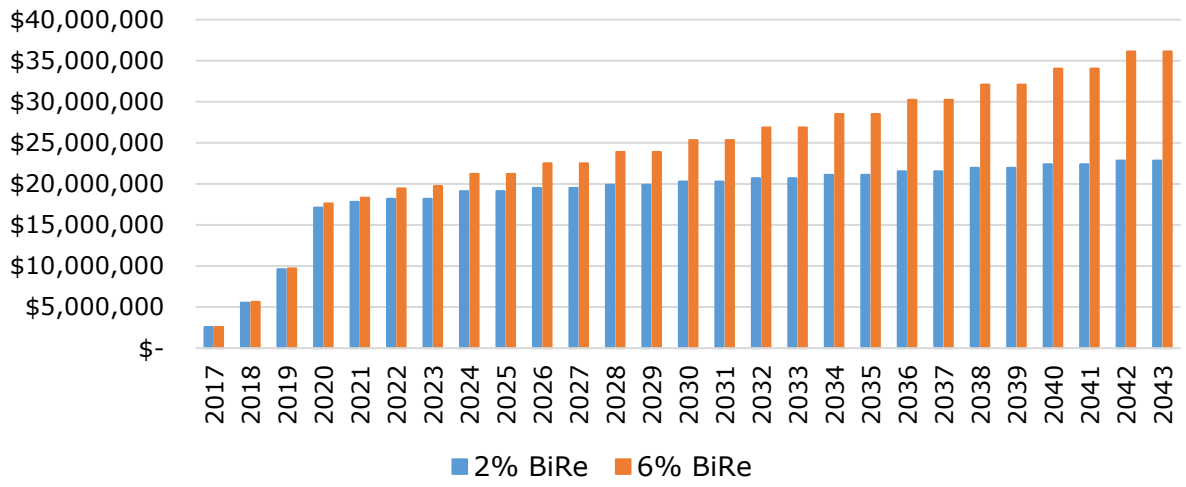
DA Davidson's "Option 2" has not been analyzed herein as it fails to meet a majority of the financing goals restated in Section 2. Two models were constructed to determine which of two alternatives, the "Do

Nothing" case, or the Refunding Case best meets the identified financing goals. The two models differ only in their assumptions for biennial reassessment rates as detailed below. The 6% case follows the projected reassessment rates identified in the RCLCO Real Estate Advisors' Draft Market Study.

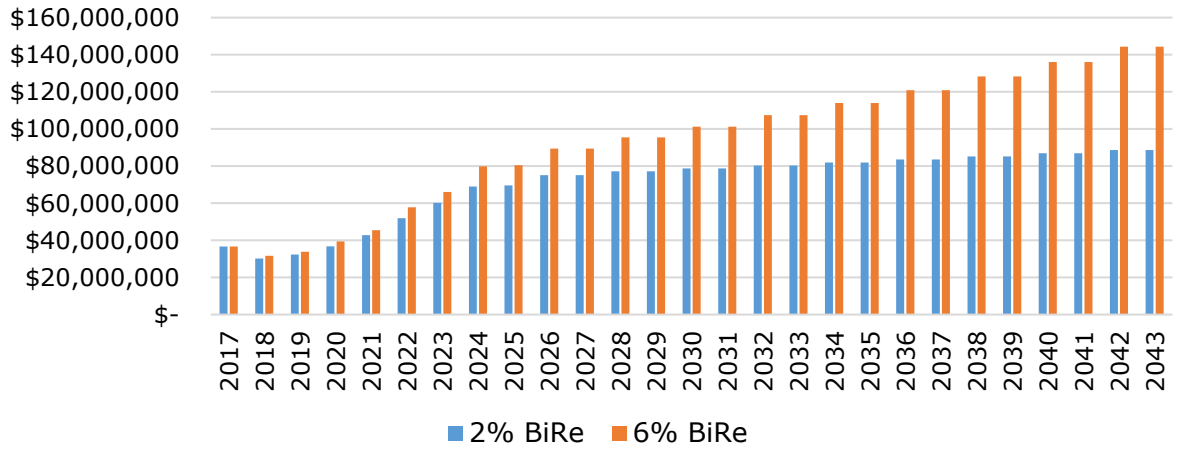
| Collection Year | Assumed Residential Biennial Reassessment Rate | Assumed Commercial Biennial Reassessment Rate |
|---|---|---|
| 2018 | 4.7% | 6.1% |
| 2020 | 10.3% | 6.1% |
| 2022 | 10.3% | 6.1% |
| 2024 | 6.1% | 6.1% |
| Thereafter | 6.1% | 6.1% |

The more conservative 2% case assumes slower future growth in assessed valuation due to biennial reassessment and results in a slower payback of District obligations in both the "Do Nothing" and the Refunding case. Differences in the projected assessed valuations by District for both financing scenarios are shown in Graph 1 (District 1) and Graph 2 (District 2) below:

**Graph 1**
**Assessed Valuation Comparison**
**District 1 (2% vs. 6% BiRe)**



**Graph 2**
**Assessed Valuation Comparison**
**District 2 (2% vs. 6% BiRe)**




**The 2% Biennial Reassessment Case.** As mentioned above, the only difference between the two financial models constructed for this report is the assumed future reassessment rates shown in the first two rows of Table 1A below. Table 1A also details the other major financing assumptions for the first model:

| **Table 1A**<br>**Savings Analysis Assumptions - 2% BiRe Case** | |
|---|---|
| Reassessment Rate 2017-2020 | 2.0% |
| Reassessment Rate 2021-2048 | 2.0% |
| District Debt as of 8/31/16 | 63,252,036 |
| **3% Minimum PV Savings Target** | **1,897,561** |
| | |
| Series 2013A Principal Outstanding | 19,080,000 |
| Series 2013B Principal Outstanding | 23,760,000 |
| Series 2013B Accrued Unpaid Int. 8/31 | 3,794,949 |
| Guarantor Principal Outstanding | 1,278,000 |
| Guarantor Accrued Unpaid Int. 8/31 | 6,672,546 |
| Reimbursement Ob. Outstanding | 5,258,730 |
| Reimbursement Accrued Unpaid Int. 8/31 | 3,407,811 |
| | |
| 2016A Debt Service Reserve | 747,662 |
| Surplus Fund Target Balance | 1,865,000 |
| Interest Rate Used to Present Value Savings | 5.00% |

Under DA Davidson's refunding proposal, the District's existing debt obligations would be pared down from the existing four debt tranches: Series 2013A Loan, Series 2013B Bond, Guarantor Bond and Reimbursement Obligation, to two tranches, Series 2016A Bonds and Series 2016B Bonds. This reduction would involve: 1) forgiveness of the Guarantor Bonds and 2) reassignment of the joint Reimbursement Obligation to District 1 alone.

For purposes of our modeling, District 1 mill levy revenues at 43.5 mills were applied to service debt from 2017 until retirement or discharge and then backed out of total debt service figures to examine the impact of a refunding on District 2 taxpayers in isolation.

Tables 2A and 3A below show projected District 2 taxes by component (debt service by tranche and operations and maintenance) for both the Base "Do Nothing" Case and the Refunding Case assuming RCLCO Draft Market Study valuations and 2% biennial reassessment. No principal or interest payments are shown for Guarantor Bond under the "Do Nothing" case in the 2% growth scenario as that obligation is projected to be discharged prior to the time that property taxes, after payment of the Series 2013A Loan and Series 2013B Bonds, would be available to make any payments toward the Guarantor Bond.

| **Table 2A<br>District 2 Taxes by Component - "Do Nothing"** | |
|---|---|
| Series 2013A Debt Service | 33,866,410 |
| Series 2013B Interest | 39,330,194 |
| Series 2013B Principal | 19,777,669 |
| Guarantor Interest | - |
| Guarantor Principal | - |
| Reimbursement Interest | 16,819,132 |
| Reimbursement Principal | 5,258,730 |
| **Total Debt Service** | **115,052,135** |
| Less: District 1 Contribution 2017-2048 | **26,641,066** |
| **District 2 Taxes for Debt Service** | **88,411,069** |
| | |
| District 2 O&M Taxes 2017-2056 | 18,476,573 |
| **Total District 2 Taxes** | **106,887,641** |
| **Present Value of Total Taxes** | **46,537,185** |

| **Table 3A<br>District 2 Taxes by Component - Proposed Refunding** | |
|---|---|
| Series 2016A Debt Service | 67,805,671 |
| Series 2016B Interest | 22,197,732 |
| Series 2016B Principal | 0 |
| Guarantor Interest | - |
| Guarantor Principal | - |
| Reimbursement Interest | - |
| Reimbursement Principal | - |
| **Total Debt Service** | **90,003,403** |
| Less: Surplus Fund Draws | (1,005,728) |
| Less: Surplus Release in 2046 | (859,272) |
| **District 2 Taxes for Debt Service** | **88,138,403** |
| | |
| District 2 O&M Taxes 2017-2019 | 494,268 |
| **Total District 2 Taxes** | **88,632,671** |
| **Present Value of Total Taxes** | **40,035,066** |

DA Davidson's refunding proposal also contemplates a reassignment of the obligation to pay annual operations and maintenance expenses (estimated to be $500,000 in 2017 and grow at an annual rate of 1%) to rest solely with District 1 as soon as District 1's assessed valuation supports operations and maintenance fully (estimated to be 2020).

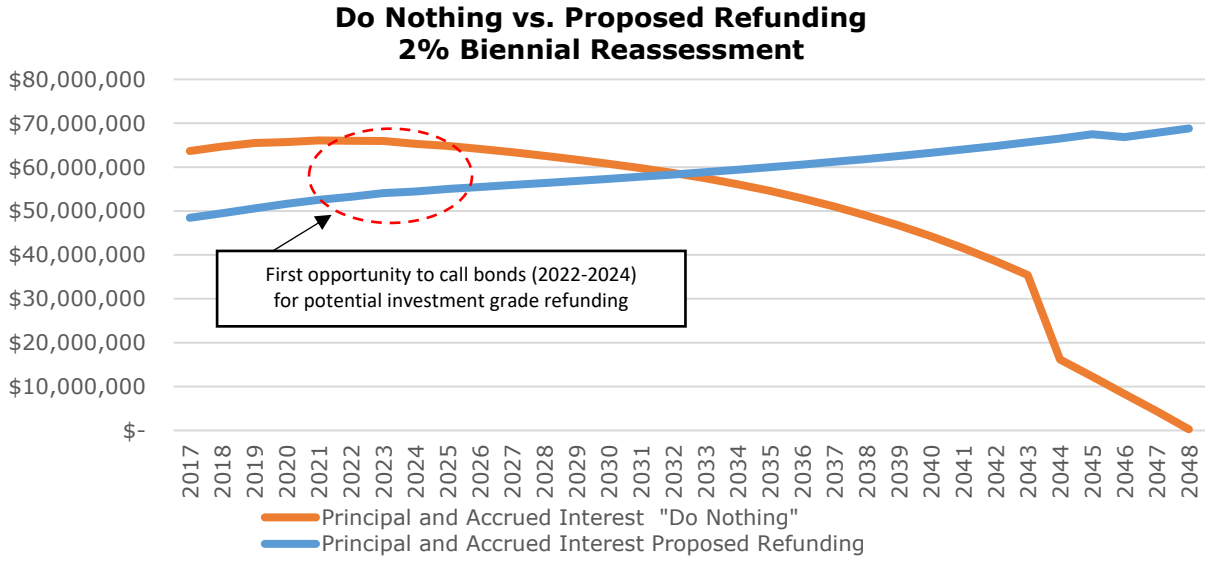
Table 4A below illustrates projected tax savings by component: 1) debt service savings and 2) operations and maintenance savings. These cash flow savings are then discounted at a rate of 5% (a proxy for the all-in cost of capital on the proposed refunding) for an aggregate present value savings total. Total present value savings for the 2% biennial reassessment case of $6.5 million equates to 10.3% of the District's refinanced principal.

**TABLE 4A**
**CASH FLOW AND PRESENT VALUE SAVINGS ANALYSIS**
**2% BIENNIAL REASSESSMENT**

| | DEBT SERVICE SAVINGS | | | | O&M SAVINGS | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | "Do Nothing" Debt Service | Proposed Refunding Debt Service | Cash Flow Savings | Present Value Savings | | "Do Nothing" O&M | Proposed O&M Outlay | Cash Flow Savings | Present Value Savings | **TOTAL PV SAVINGS** |
| 2017 | 1,515,032 | 1,515,032 | (0) | (0) | 2017 | 215,523 | 215,523 | 0 | - | **(0)** |
| 2018 | 1,359,596 | 1,359,596 | (0) | (0) | 2018 | 177,268 | 177,268 | 0 | - | **(0)** |
| 2019 | 1,413,003 | 1,413,003 | 0 | - | 2019 | 190,000 | 101,476 | 88,524 | 76,471 | **76,471** |
| 2020 | 1,686,209 | 1,686,209 | 0 | - | 2020 | 215,721 | | 215,721 | 177,474 | **177,474** |
| 2021 | 1,816,390 | 1,816,390 | 0 | - | 2021 | 251,372 | | 251,372 | 196,956 | **196,956** |
| 2022 | 2,262,471 | 2,262,471 | 0 | - | 2022 | 305,097 | | 305,097 | 227,668 | **227,668** |
| 2023 | 2,199,064 | 2,199,064 | 0 | - | 2023 | 353,712 | | 353,712 | 251,376 | **251,376** |
| 2024 | 2,745,104 | 2,745,104 | 0 | - | 2024 | 405,093 | | 405,093 | 274,183 | **274,183** |
| 2025 | 2,540,357 | 2,540,357 | 0 | - | 2025 | 408,608 | | 408,608 | 263,392 | **263,392** |
| 2026 | 2,740,405 | 2,740,405 | 0 | - | 2026 | 440,785 | | 440,785 | 270,604 | **270,604** |
| 2027 | 2,740,405 | 2,740,405 | 0 | - | 2027 | 440,785 | | 440,785 | 257,718 | **257,718** |
| 2028 | 2,816,815 | 2,816,815 | 0 | - | 2028 | 453,075 | | 453,075 | 252,289 | **252,289** |
| 2029 | 2,816,815 | 2,816,815 | 0 | - | 2029 | 453,075 | | 453,075 | 240,275 | **240,275** |
| 2030 | 2,873,152 | 2,873,152 | 0 | - | 2030 | 462,137 | | 462,137 | 233,410 | **233,410** |
| 2031 | 2,873,152 | 2,873,152 | 0 | - | 2031 | 462,137 | | 462,137 | 222,296 | **222,296** |
| 2032 | 2,930,615 | 2,930,615 | 0 | - | 2032 | 471,379 | | 471,379 | 215,944 | **215,944** |
| 2033 | 2,930,615 | 2,930,615 | 0 | - | 2033 | 471,379 | | 471,379 | 205,661 | **205,661** |
| 2034 | 2,989,227 | 2,989,227 | 0 | - | 2034 | 480,807 | | 480,807 | 199,785 | **199,785** |
| 2035 | 2,989,227 | 2,989,227 | 0 | - | 2035 | 480,807 | | 480,807 | 190,272 | **190,272** |
| 2036 | 3,049,012 | 3,049,012 | 0 | - | 2036 | 490,423 | | 490,423 | 184,835 | **184,835** |
| 2037 | 3,049,012 | 3,049,012 | 0 | - | 2037 | 490,423 | | 490,423 | 176,034 | **176,034** |
| 2038 | 3,109,992 | 3,109,992 | 0 | - | 2038 | 500,231 | | 500,231 | 171,004 | **171,004** |
| 2039 | 3,109,992 | 3,109,992 | 0 | - | 2039 | 500,231 | | 500,231 | 162,861 | **162,861** |
| 2040 | 3,172,192 | 3,172,192 | 0 | - | 2040 | 510,236 | | 510,236 | 158,208 | **158,208** |
| 2041 | 3,172,192 | 3,172,192 | 0 | - | 2041 | 510,236 | | 510,236 | 150,674 | **150,674** |
| 2042 | 3,235,635 | 3,235,635 | 0 | - | 2042 | 520,441 | | 520,441 | 146,369 | **146,369** |
| 2043 | 3,235,635 | 3,235,635 | 0 | - | 2043 | 520,441 | | 520,441 | 139,399 | **139,399** |
| 2044 | 3,300,348 | 3,300,348 | 0 | - | 2044 | 530,850 | | 530,850 | 135,416 | **135,416** |
| 2045 | 3,300,348 | 3,300,348 | 0 | - | 2045 | 530,850 | | 530,850 | 128,968 | **128,968** |
| 2046 | 3,366,355 | 3,366,355 | 0 | - | 2046 | 541,467 | | 541,467 | 125,283 | **125,283** |
| 2047 | 3,366,355 | 3,366,355 | 0 | - | 2047 | 541,467 | | 541,467 | 119,317 | **119,317** |
| 2048 | 3,433,682 | 3,433,682 | 0 | - | 2048 | 552,296 | | 552,296 | 115,908 | **115,908** |
| 2049 | 272,667 | 0 | 272,667 | 54,499 | 2049 | 552,296 | | 552,296 | 110,389 | **164,887** |
| 2050 | 0 | 0 | 0 | - | 2050 | 563,342 | | 563,342 | 107,235 | **107,235** |
| 2051 | 0 | 0 | 0 | - | 2051 | 563,342 | | 563,342 | 102,128 | **102,128** |
| 2052 | 0 | 0 | 0 | - | 2052 | 574,609 | | 574,609 | 99,210 | **99,210** |
| 2053 | 0 | 0 | 0 | - | 2053 | 574,609 | | 574,609 | 94,486 | **94,486** |
| 2054 | 0 | 0 | 0 | - | 2054 | 586,101 | | 586,101 | 91,787 | **91,787** |
| 2055 | 0 | 0 | 0 | - | 2055 | 586,101 | | 586,101 | 87,416 | **87,416** |
| 2056 | 0 | 0 | 0 | - | 2056 | 597,823 | | 597,823 | 84,918 | **84,918** |
| | 88,411,069 | 88,138,403 | 272,666 | 54,498 | | 18,476,573 | 494,268 | 17,982,305 | 6,447,621 | **6,502,119** |

| **PV Savings % of Refunded Principal** | **10.3%** |
|---|---|

North Slope Capital's last measure of the efficacy of the proposed refunding was a comparison of principal and accrued interest outstanding over time under the "Do Nothing" case versus the Refunding Case. The proposed Series 2016 Bonds would be first callable in 2021 with a call premium declining from 103% to par over four years. The opportunity to refinance a lower principal and accrued interest balance in the years 2021 to 2024 is notably improved in the Refunding Case as shown below.




**The 6% Biennial Reassessment Case.** The following charts and graphs represent North Slope Capital's analysis and findings of the RCLCO Draft Market Study projected market and assessed valuation, reassessed at the rates given in the summary table below for 2018, 2020, 2022 and thereafter.

| Table 1B<br>Savings Analysis Assumptions - 6% BiRe Case | |
|---|---|
| Residential Reassessment Rate 2018 | 4.7% |
| Residential Reassessment Rate 2020 | 10.3% |
| Residential Reassessment Rate 2022 | 10.3% |
| Commercial Reass. and Residential Reass. 2024-48 | 6.09% |
| District Debt as of 8/31/16 | 63,252,036 |
| **3% Minimum PV Savings Target** | **1,897,561** |
| | |
| Series 2013A Principal Outstanding | 19,080,000 |
| Series 2013B Principal Outstanding | 23,760,000 |
| Series 2013B Accrued Unpaid Int. 8/31 | 3,794,949 |
| Guarantor Principal Outstanding | 1,278,000 |
| Guarantor Accrued Unpaid Int. 8/31 | 6,672,546 |
| Reimbursement Ob. Outstanding | 5,258,730 |
| Reimbursement Accrued Unpaid Int. 8/31 | 3,407,811 |
| | |
| 2016A Debt Service Reserve | 747,662 |
| Surplus Fund Balance | 1,865,000 |
| Interest Rate Used to Present Value Savings | 5.00% |

Higher assumed assessed valuation growth rates allow for accelerated repayment of existing and proposed debt compared to the 2% biennial reassessment case. In terms of debt repayment of the existing four tranches under the "Do Nothing" case compared to the Refunding Case, higher reassessment rates benefit the existing structure disproportionately due to the unique structuring features imbedded in the current tranches as seen in charts 2B and 3B below.

At the same time, DA Davidson's refunding proposal contemplates a reassignment of the obligation to pay annual operations and maintenance expenses (estimated to be $500,000 in 2017 and grow at an annual rate of 1%) to rest solely with District 1 as soon as District 1's assessed valuation supports operations and maintenance fully (estimated to be 2020). The impact of this shift of the operations and maintenance burden can also be seen in Tables 2B and 3B in the row labeled "District 2 O&M Taxes".

| **Table 2B<br>District 2 Taxes by Component - "Do Nothing"** | |
|---|---|
| Series 2013A Debt Service | 33,866,410 |
| Series 2013B Interest | 29,687,751 |
| Series 2013B Principal | 23,760,000 |
| Guarantor Interest | 9,538,214 |
| Guarantor Principal | 1,278,000 |
| Reimbursement Interest | 14,291,842 |
| Reimbursement Principal | 5,258,730 |
| **Total Debt Service** | **117,680,947** |
| Less: D1 Contribution 2017-2045 | **27,866,510** |
| **District 2 Taxes for Debt Service** | **89,814,437** |
| | |
| District 2 O&M Taxes 2017-2056 | 22,501,009 |
| **Total District 2 Taxes** | **112,315,446** |
| **Present Value of Total Taxes** | **51,942,207** |

| **Table 3B<br>District 2 Taxes by Component - Proposed Refunding** | |
|---|---|
| Series 2016A Debt Service | 67,805,671 |
| Series 2016B Interest | 33,900,120 |
| Series 2016B Principal | 13,250,000 |
| Guarantor Interest | - |
| Guarantor Principal | - |
| Reimbursement Interest | - |
| Reimbursement Principal | - |
| **Total Debt Service** | **114,955,791** |
| Less: Surplus Fund Draws | **(712,572)** |
| Less: Surplus Release in 2046 | (1,152,428) |
| **District 2 Taxes for Debt Service** | **113,090,791** |
| | |
| District 2 O&M Taxes 2017-2020 | 498,590 |
| **Total District 2 Taxes** | **113,589,382** |
| **Present Value of Total Taxes** | **49,918,050** |

Table 3B above assumes a Series 2016A bond sizing of approximately $32.5 million and a Series 2016B bond sizing of $13.25 million. The sizing of the two respective issues will change between the date of this report and the time of bond sale, based on final assessed valuation projections for the districts, investor demand for the limited public offering of the Series 2016A Bonds, and market conditions generally at the time of sale. Interest rates have risen since our October 13th Preliminary Report was issued, pressuring issue sizing and aggregate savings. As fiduciary to the District, North Slope will continue to monitor market conditions and the proposed refunding bond structure to confirm that the financing goals can be met.

Table 4B below illustrates projected savings by component assuming current market conditions as of November 11th: 1) debt service savings (or dis-savings as the case may be) and 2) operations and maintenance savings. These debt service dis-savings and operations and maintenance savings are then discounted at a rate of 5% (a proxy for the all-in cost of capital of the proposed refunding) for an aggregate present value savings total.

Aggregate present value savings of $2.0 million under the 6% biennial reassessment case is comprised of a $5.7 million present value debt service loss due to the accelerated repayment flexibility available under the existing debt structure, and an estimated $7.7 million operations and maintenance present value savings.

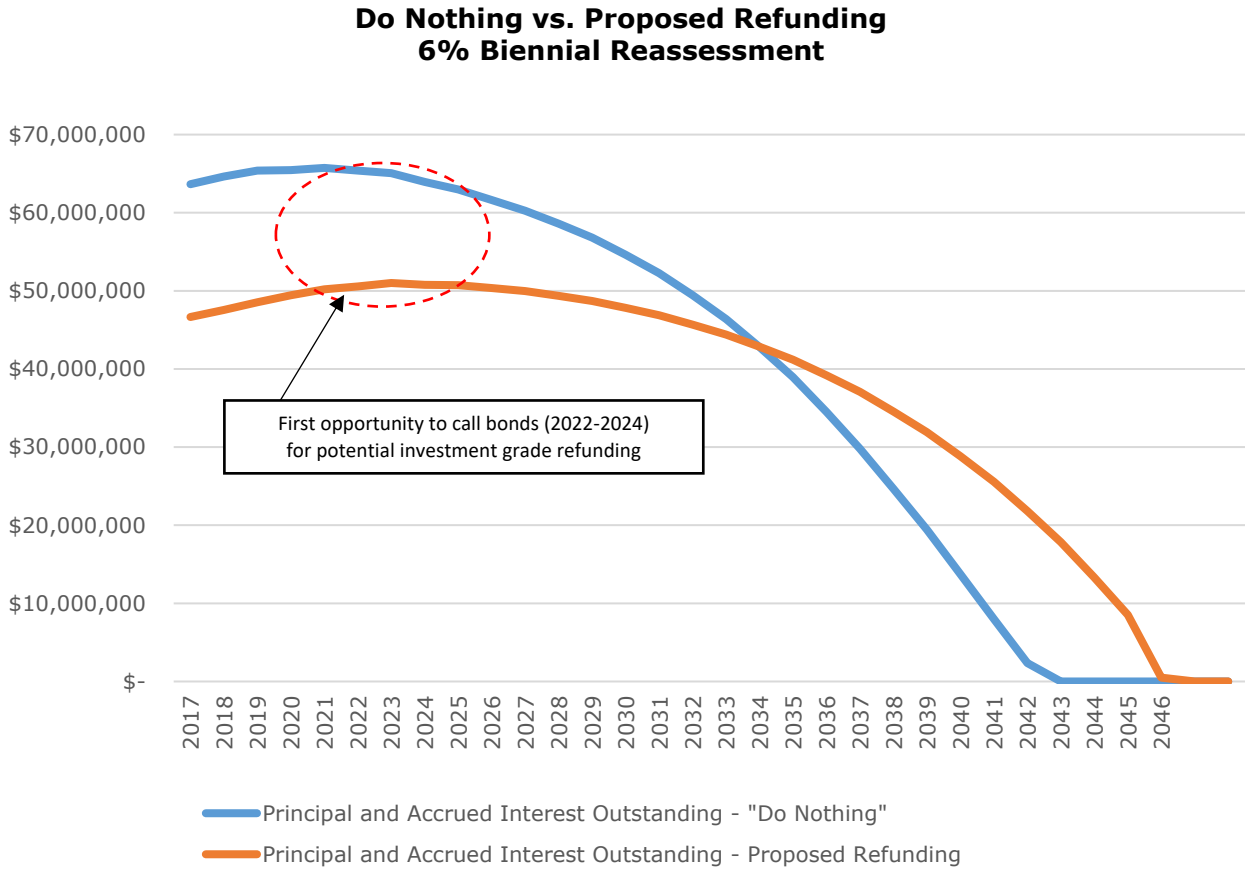
**TABLE 4B**
**CASH FLOW AND PRESENT VALUE SAVINGS ANALYSIS**
**6% BIENNIAL REASSESSMENT**

| | DEBT SERVICE SAVINGS | | | | O&M SAVINGS | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | "Do Nothing" Debt Service | Proposed Refunding Debt Service | Cash Flow Savings | Present Value Savings | | "Do Nothing" O&M | Proposed O&M Outlay | Cash Flow Savings | Present Value Savings | **TOTAL PV SAVINGS** |
| 2017 | 1,515,032 | 1,515,032 | (0) | (0) | 2017 | 215,523 | 215,523 | 0 | - | **(0)** |
| 2018 | 1,414,399 | 1,414,399 | 0 | 0 | 2018 | 186,083 | 186,083 | 0 | - | **0** |
| 2019 | 1,467,806 | 1,467,806 | 0 | - | 2019 | 198,815 | 96,984 | 101,832 | 87,966 | **87,966** |
| 2020 | 1,783,752 | 1,783,752 | 0 | - | 2020 | 231,410 | 0 | 231,410 | 190,382 | **190,382** |
| 2021 | 1,902,397 | 1,902,397 | 0 | - | 2021 | 267,061 | | 267,061 | 209,249 | **209,249** |
| 2022 | 2,474,337 | 2,474,337 | 0 | - | 2022 | 339,175 | | 339,175 | 253,098 | **253,098** |
| 2023 | 2,410,931 | 2,410,931 | 0 | - | 2023 | 387,790 | | 387,790 | 275,595 | **275,595** |
| 2024 | 3,140,068 | 3,140,068 | 0 | - | 2024 | 468,621 | | 468,621 | 317,181 | **317,181** |
| 2025 | 2,935,321 | 2,935,321 | 0 | - | 2025 | 472,136 | | 472,136 | 304,343 | **304,343** |
| 2026 | 3,263,323 | 3,263,323 | 0 | - | 2026 | 524,894 | | 524,894 | 322,240 | **322,240** |
| 2027 | 3,263,323 | 3,263,323 | 0 | - | 2027 | 524,894 | | 524,894 | 306,895 | **306,895** |
| 2028 | 3,483,660 | 3,483,660 | 0 | - | 2028 | 560,335 | | 560,335 | 312,015 | **312,015** |
| 2029 | 3,483,660 | 3,483,660 | 0 | - | 2029 | 560,335 | | 560,335 | 297,157 | **297,157** |
| 2030 | 3,695,815 | 3,695,815 | 0 | - | 2030 | 594,459 | | 594,459 | 300,242 | **300,242** |
| 2031 | 3,695,815 | 3,695,815 | 0 | - | 2031 | 574,737 | | 574,737 | 276,458 | **276,458** |
| 2032 | 3,920,890 | 3,920,890 | 0 | - | 2032 | 580,484 | | 580,484 | 265,927 | **265,927** |
| 2033 | 3,920,890 | 3,920,890 | 0 | - | 2033 | 586,289 | | 586,289 | 255,796 | **255,796** |
| 2034 | 4,159,672 | 4,159,672 | 0 | - | 2034 | 592,152 | | 592,152 | 246,051 | **246,051** |
| 2035 | 4,159,672 | 4,159,672 | 0 | - | 2035 | 598,074 | | 598,074 | 236,678 | **236,678** |
| 2036 | 4,412,996 | 4,412,996 | 0 | - | 2036 | 604,054 | | 604,054 | 227,662 | **227,662** |
| 2037 | 4,412,996 | 4,412,996 | 0 | - | 2037 | 610,095 | | 610,095 | 218,989 | **218,989** |
| 2038 | 4,681,748 | 4,681,748 | 0 | - | 2038 | 616,196 | | 616,196 | 210,647 | **210,647** |
| 2039 | 4,681,748 | 4,681,748 | 0 | - | 2039 | 622,358 | | 622,358 | 202,622 | **202,622** |
| 2040 | 4,966,866 | 4,966,866 | 0 | - | 2040 | 628,582 | | 628,582 | 194,903 | **194,903** |
| 2041 | 4,966,866 | 4,966,866 | 0 | - | 2041 | 634,867 | | 634,867 | 187,478 | **187,478** |
| 2042 | 4,646,218 | 5,269,348 | (623,130) | (175,250) | 2042 | 641,216 | | 641,216 | 180,336 | **5,086** |
| 2043 | 954,238 | 5,269,348 | (4,315,110) | (1,155,795) | 2043 | 647,628 | | 647,628 | 173,466 | **(982,329)** |
| 2044 | 0 | 5,590,251 | (5,590,251) | (1,426,038) | 2044 | 654,104 | | 654,104 | 166,858 | **(1,259,180)** |
| 2045 | 0 | 5,590,251 | (5,590,251) | (1,358,131) | 2045 | 660,645 | | 660,645 | 160,501 | **(1,197,630)** |
| 2046 | 0 | 6,643,270 | (6,643,270) | (1,537,103) | 2046 | 667,252 | | 667,252 | 154,387 | **(1,382,716)** |
| 2047 | 0 | 514,342 | (514,342) | (113,340) | 2047 | 673,924 | | 673,924 | 148,506 | **35,166** |
| 2048 | 0 | 0 | (0) | (0) | 2048 | 680,664 | | 680,664 | 142,848 | **142,848** |
| 2049 | 0 | 0 | 0 | - | 2049 | 687,470 | | 687,470 | 137,406 | **137,406** |
| 2050 | 0 | 0 | 0 | - | 2050 | 694,345 | | 694,345 | 132,172 | **132,172** |
| 2051 | 0 | 0 | 0 | - | 2051 | 701,288 | | 701,288 | 127,137 | **127,137** |
| 2052 | 0 | 0 | 0 | - | 2052 | 708,301 | | 708,301 | 122,293 | **122,293** |
| 2053 | 0 | 0 | 0 | - | 2053 | 715,384 | | 715,384 | 117,635 | **117,635** |
| 2054 | 0 | 0 | 0 | - | 2054 | 722,538 | | 722,538 | 113,153 | **113,153** |
| 2055 | 0 | 0 | 0 | - | 2055 | 729,764 | | 729,764 | 108,843 | **108,843** |
| 2056 | 0 | 0 | 0 | - | 2056 | 737,061 | | 737,061 | 104,696 | **104,696** |
| | 89,814,437 | 113,090,791 | (23,276,354) | (5,765,656) | | 22,501,009 | 498,590 | 22,002,419 | 7,789,813 | **2,024,157** |

| **PV Savings % of Refunded Principal** | **3.20%** |
|---|---|

It is worth noting that this portrayal of debt service dis-savings/savings ignores the interest rate and refinance risk posed by a 2020 refinancing of the Series 2013A Bonds in a higher inflation/interest rate environment.

Finally, as with the previous scenario, North Slope Capital's last measure of the efficacy of the proposed refunding under the 6% biennial reassessment case was a comparison of principal and accrued interest outstanding over time under the "Do Nothing" case versus the Refunding Case. The proposed Series 2016 Bonds would be first callable in 2022 with a call premium declining from 103% to par over four years. The opportunity to refinance a lower principal and accrued interest balance in the years 2022 to 2024 is notably improved in the Refunding Case as shown below.




## IV. PRICING COMFORT AND FINAL VERIFICATION OF SAVINGS

North Slope Capital Advisors will continue to monitor the proposed refunding of existing District debt, up to the time of pricing and final bond sizing. At bond closing, North Slope will provide a certification that the interest rates and structuring features of the Series 2016A and 2016B Bonds are on-market and that the final financing meets the goals identified above.

## V. CONCLUSION

A refinancing of the existing Series 2013A Loan, 2013B Bonds, Guarantor Bonds, and Reimbursement Obligations accomplishes all of the goals set forth in Section 2 assuming the following:

- Market and assessed valuation projections contained in the RCLCO Real Estate Advisors' Draft Market Study dated November 9, 2016
- Current bond market conditions including sufficient investor demand for the Series 2016A Bonds with structuring and security features outlined in the Term Sheet
- Successful placement of Series 2016B cash flow bonds size for 1.0x coverage on full growth assuming a 6% biennial reassessment rate

- 2% annual inflation of 2016 market values per the Draft Market Study during construction, and either the RCLCO reassessment assumptions or a more conservative 2% biennial reassessment rate
- A successful refinancing of the Series 2013A Bonds coming due in 2020 at an interest rate of 5.50%, under the Base Case or "Do Nothing" scenario.

As shown in Table 4A in Section III above, assuming a 2% biennial reassessment rate and the other assumptions listed above, North Slope Capital Advisors calculates the net aggregate present value savings produced by the refunding to be $6.5 million, or over 10% of the refinanced principal amount. These estimated debt service and operations and maintenance savings, subject to changes in the Draft RCLCO Market Study assessed valuation projections, bond market conditions, and/or the proposed bond sizing and structure, are far in excess of the Government Finance Officers' Association target of 3% net present value savings. In addition, the line graph on page 10 in Section III shows estimated outstanding principal and accrued interest to be lower in the Refunding Case compared to the Base Case from 2017 to 2032, including the dates the proposed Series 2016A can be called by a range of $10.8 to $12.7 million.

The 6% biennial reassessment rate case, also meets the minimum present value savings goal as set forth in item #5, Section 2 of this report when the tax impact of estimated debt service and operation and maintenance expenses are aggregated. In addition, assuming 6% biennial reassessment, the District's estimated outstanding principal and accrued interest in 2024 (the first par call date for Series 2016A) would be $13.1 million lower than the same balance the Base Case.

In summary, both refinancing alternatives, the 2% and 6% growth cases, evaluated by North Slope Capital Advisors per our engagement and as a fiduciary to the District, meet all of the identified financing goals set forth in Section 2 of this report. As such, we recommend proceeding with the proposed Series 2016A and 2016B refinancing to accomplish the stated goals, provided that the final market study, final bond sizing and structure, and bond market conditions at the time of sale, continue to allow for all goals to be met in both biennial reassessment cases.

**CERTIFIED RECORD**

**OF**

**PROCEEDINGS OF**

**THE BOARD OF DIRECTORS**

**OF**

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**
**In the Town of Snowmass Village**
**Pitkin County, Colorado**

relating to a Resolution authorizing:

**Base Village Metropolitan District No. 2**
**General Obligation Limited Tax Refunding Bonds**
**Series 2016A**

Adopted at a Joint Special Meeting Held on November 16, 2016

*This cover page is not a part of the following resolution and is included solely for the convenience of the reader.*

(Attach copy of notice of meeting, as posted)

| | |
|---|---|
| STATE OF COLORADO | ) |
| PITKIN COUNTY | ) ss. |
| TOWN OF SNOWMASS VILLAGE | ) |
| BASE VILLAGE METROPOLITAN DISTRICT NO. 2 | ) |

The District No. 2 Board of Directors (the "Board of Directors") of Base Village Metropolitan District No. 2, in the Town of Snowmass Village, Pitkin County, Colorado ("District No. 2"), met at a joint special meeting of District No. 2 and Base Village Metropolitan District No. 1 ("District No. 1" and, together with District No. 2, collectively, the "Districts"), on Wednesday, the 16th day of November, 2016, at the hour of 11:00 a.m., at 110 Carriage Way, Snowmass Village, Colorado.

At such meeting, the following members of the Boards of Directors of each of the Districts (each, a "Director" and, in such collective capacity, the "Board") were present in person or via teleconference, constituting a quorum:

| | |
|---|---|
| Matt Foley | President |
| Leticia Hanke | Treasurer |
| Steve Sewell | Secretary |
| James D'Agostino | Assistant Secretary |
| Craig Monzio | Assistant Secretary |

The following members of the Board were absent:

Also present in person or via teleconference:

| | |
|---|---|
| District Counsel: | William P. Ankele, Jr., Esq.<br>White Bear Ankele Tanaka & Waldron |
| Bond Counsel: | Kristine Lay, Esq.<br>Kutak Rock LLP |
| District Accountant: | Sarah Hunsche<br>CliftonLarsenAllen LLP |
| Underwriter: | Sam Sharp<br>D.A. Davidson & Co. |
| Other: | Members of the Public |

The Secretary reported that, prior to this joint special meeting, each of the Directors had been notified of the date, time and place of this meeting and the purpose for which it was called, and notice of this joint special meeting was duly given and posted as required by law, a copy of such notice being included herein.

Thereupon there was introduced the following resolution:

# RESOLUTION

**RESOLUTION AUTHORIZING BASE VILLAGE METROPOLITAN DISTRICT NO. 2 TO ISSUE ITS GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS, SERIES 2016A, IN AN AGGREGATE PRINCIPAL AMOUNT WHICH, WHEN COMBINED WITH THE AGGREGATE PRINCIPAL AMOUNT OF ITS SUBORDINATE GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS, SERIES 2016B, WILL NOT EXCEED $58,000,000, FOR THE PURPOSE OF EFFECTING A REFUNDING PLAN AS DESCRIBED HEREIN AND, IN CONNECTION THEREWITH, APPROVING THE EXECUTION AND DELIVERY OF AND PERFORMANCE UNDER AN INDENTURE OF TRUST, A CAPITAL PLEDGE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A BOND PURCHASE AGREEMENT, AND RELATED DOCUMENTS AND INSTRUMENTS; AUTHORIZING THE USE OF A PRELIMINARY LIMITED OFFERING MEMORANDUM IN CONNECTION WITH THE OFFER AND SALE OF THE SERIES 2016A SENIOR BONDS; MAKING FINDINGS IN CONNECTION WITH THE FOREGOING; DELEGATING AUTHORITY TO ONE OR MORE MEMBERS OF THE BOARD TO MAKE CERTAIN DETERMINATIONS RELATING TO SUCH BONDS AS AUTHORIZED UNDER SECTION 11-57-205, C.R.S.; AUTHORIZING INCIDENTAL ACTION; REPEALING PRIOR INCONSISTENT ACTIONS; AND SETTING FORTH THE EFFECTIVE DATE HEREOF.**

WHEREAS, Base Village Metropolitan District No. 2 ("District No. 2") is a duly and regularly created, established, organized, and existing metropolitan district, existing as such under and pursuant to the constitution and laws of the State of Colorado and the Amended and Restated Service Plan of Base Village Metropolitan District No. 2 and Base Village Metropolitan District No. 1 dated October 17, 2006 and approved by the Town Council of the Town of Snowmass Village, Colorado, pursuant to Resolution No. 52, Series of 2006, on October 23, 2006 (the "Service Plan");

WHEREAS, capitalized terms used and not otherwise defined in the recitals hereof shall have the meanings set forth in Section 1 below; and

WHEREAS, District No. 2 and Base Village Metropolitan District No. 1 ("District No. 1" and, together with District No. 2, collectively, the "Districts") are authorized by Title 32, Article 1, C.R.S. (the "Special District Act") to furnish certain public facilities and services, including but not limited to, streets, public transportation, parks and recreation, fire protection and traffic and safety control improvements ("Public Improvements") in accordance with the Service Plan; and

WHEREAS, under the Service Plan, the Districts are intended to work together and coordinate their activities with respect to the financing, construction, operation and maintenance of Public Improvements in order to serve development within their common service area;

WHEREAS, pursuant to the Colorado Constitution, Article XIV, Section 18(2)(a), and Section 29-1-203, C.R.S., governmental entities such as the Districts may cooperate or

contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide for the sharing of costs, the imposition and collection of taxes, and the incurring of debt; and

WHEREAS, at elections duly called and held on November 2, 2004, on November 7, 2006 and on November 6, 2007 (collectively, the "Elections") in accordance with law and pursuant to due notice, a majority of the qualified electors of District No. 2 and District No. 1 voting at the Elections approved the ballot issues authorizing indebtedness of District No. 2 and District No. 1; and

WHEREAS, the returns of the Elections were duly canvassed and the results thereof declared; and

WHEREAS, pursuant to Section 32-1-1101.5, C.R.S., the results of the Elections were certified by each of the Districts by certified mail, to the governing body of the Town of Snowmass Village (the "Town") and with the division of securities created by Section 11-51-701, C.R.S., within forty-five days after each of the Elections; and

WEHREAS, pursuant to the Base Village Intergovernmental Agreement, dated as of September 30, 2006 by and among the Snowmass Village General Improvement District No. 1 (the "GID") and the Districts (the "Intergovernmental Agreement"), the Districts have agreed, among other things, to limitations on the imposition of property taxes, property tax sharing with the GID and the issuance of debt by District No. 2 to facilitate the development, construction and/or acquisition of certain public infrastructure (the "Facilities"); and

WHEREAS, due to the nature of the Facilities and proximity and interrelatedness of the development that has occurred and is anticipated to occur, the Districts previously determined that such Facilities benefit the Districts' residents, property owners and taxpayers in the Districts as a whole; and

WHEREAS, the Board of Directors of District No. 1 (the "District No. 1 Board") previously determined that, in furtherance of District No. 1's role and obligations as contemplated in the Service Plan and the Intergovernmental Agreement, and in light of the benefit derived by District No. 1's property owners, occupants, and taxpayers from the Facilities, District No. 1 shall be liable for a portion of the repayment of indebtedness issued by District No. 2 to finance the Facilities, as such indebtedness may from time to time be refunded and restructured; and

WHEREAS, for purpose of financing the Facilities, District No. 2 previously issued its $15,200,000 Limited Tax Variable Rate Senior Bonds, Series 2008A; its $32,550,000 Limited Tax Variable Rate Junior Bonds, Series 2008B, which junior bonds were paid and discharged and in lieu thereof, a Limited Tax Guarantor Bond, Series 2008 was issued in the amount of $32,550,000 (the "Original Guarantor Bond"); and its Developer Subordinate Note, Series 2008D, dated December 1, 2009 (collectively, the "Prior 2008 Obligations") and, in connection therewith, District No. 1 entered into a Capital Pledge Agreement with District No. 2, pursuant to which District No. 1 obligated itself to levy certain ad valorem property taxes and pay the

proceeds thereof to District No. 2 for payment of the Prior 2008 Obligations (the "2008 Capital Pledge Agreement"); and

WHEREAS, for the purpose of refunding and restructuring the Prior 2008 Obligations, District No. 2 issued its $20,300,000 Senior Limited Tax Refunding Loan, Series 2013A (the "2013A Loan") and its $23,760,000 Subordinate Limited Tax Revenue Refunding Bonds, Series 2013B (the "2013B Bonds"), and the Original Guarantor Bond was reissued in the principal amount of $1,278,000 (collectively, the "2013 Obligations") and, in connection therewith, the 2008 Capital Pledge Agreement was terminated, and District No. 1 entered into a new Capital Pledge Agreement with District No. 2, pursuant to which District No. 1 obligated itself to levy certain ad valorem property taxes and pay the proceeds thereof to District No. 2 for payment of the 2013 Obligations (the "2013 Capital Pledge Agreement"); and

WHEREAS, the Board of Directors of District No. 2 (the "District No. 2 Board") has determined and hereby determines that it is in the best interests of the Districts, and the residents and taxpayers thereof, that District No. 2 enter into a refunding and restructuring program with respect to the 2013 Obligations (the "Refunding Plan"); and

WHEREAS, under the Refunding Plan, the Bonds (defined below) will (a) prepay in full all outstanding principal and accrued interest thereon with respect to the 2013A Loan; and (b) redeem as much of the outstanding principal of the 2013B Bonds together with accrued interest thereon as can be redeemed with the net proceeds of the Bonds; and

WHEREAS, under the Refunding Plan, the Series 2016B Subordinate Bonds (defined below) will (a) redeem as much of the remaining outstanding principal (after application of Bond proceeds to such bonds) of the 2013B Bonds together with accrued interest thereon as can be redeemed with the issuance of the Series 2016B Subordinate Bonds; and (b) redeem as much of the outstanding principal of the Guarantor Bond and pay as much of the accrued interest thereon as can be redeemed and paid with the issuance of the Series 2016B Subordinate Bonds; and

WHEREAS, under the Refunding Plan, it is anticipated that the net proceeds of the Series 2016B Subordinate Bonds will not be sufficient to fully redeem, pay and cancel the remaining 2013 Bonds not redeemed with proceeds of the Bonds; and

WHEREAS, under the Refunding Plan, it is anticipated that the net proceeds of the Series 2016B Subordinate Bonds will not be sufficient to redeem any of the outstanding principal of the Guarantor Bonds nor pay any accrued interest thereon; and

WHEREAS, under the Refunding Plan, it is anticipated that the indebtedness represented by a portion of the 2013B Bonds and all of the Guarantor Bonds will be forgiven by the owners thereof; and

WHEREAS, for the purpose of carrying out such Refunding Plan, in part, there shall be issued General Obligation Limited Tax Refunding Bonds of District No. 2, Series 2016A, in an aggregate principal amount which, when combined with the aggregate principal amount of the Series 2016B Subordinate Bonds (defined below), will not exceed $58,000,000 (the "Bonds"); and

WHEREAS, concurrently with the issuance of the Bonds, District No. 2 is issuing its Subordinate General Obligation Limited Tax Refunding Bonds, Series 2016B, in an aggregate principal amount which, when combined with the aggregate principal amount of the Bonds, will not exceed $58,000,000 (the "Series 2016B Subordinate Bonds" and, together with the Bonds, collectively, the "2016 Obligations"), for the purpose of effecting that part of the Refunding Plan not effected with the issuance of the Bonds; and

WHEREAS, District No. 1 desires to enter into a 2016 Capital Pledge Agreement with District No. 2 (the "2016 Capital Pledge Agreement") for the purpose of continuing to carry out its obligations to levy certain ad valorem property taxes and, under the circumstances described in the 2016 Capital Pledge Agreement, pay the proceeds thereof to the Trustee for payment, in part, of the 2016 Obligations; and

WHEREAS, in connection the 2016 Obligations, the District No. 1 Board has determined and the District No. 2 Board hereby determines that it is necessary and appropriate to terminate the 2013 Capital Pledge Agreement; and

WHEREAS, concurrently with the issuance of the 2016 Obligations and the execution and delivery of the 2016 Capital Pledge Agreement, the 2013 Capital Pledge Agreement will be terminated pursuant to a Termination Agreement Relating to Capital Pledge Agreement Dated December 2, 2013 (the "Termination Agreement"); and

WHEREAS, the Bonds shall be issued pursuant to the provisions of Title 32, Article 1, Parts 11 and 13, C.R.S., and all other laws thereunto enabling; and

WHEREAS, the Board specifically elects to apply the provisions of Title 11, Article 57, Part 2, C.R.S., to the Bonds; and

WHEREAS, the Bonds shall be limited mill levy obligations of District No. 2, payable solely from and to the extent of the Pledged Revenue and moneys on deposit in the funds and accounts held under the Indenture; and

WHEREAS, the Bonds shall be issued in denominations of $500,000 each, and in integral multiples above $500,000 of not less than $1,000 each, and not less than five days prior to the date of issuance of the Bonds, District No. 2 filed for an exemption from registration for the Bonds under the Colorado Municipal Bond Supervision Act based upon the foregoing, and the Bonds are exempt from registration under such act; and

WHEREAS, the Bonds are being issued only to financial institutions or institutional investors within the meaning of Section 32-1-1101 (6)(a)(IV), C.R.S.; and

WHEREAS, pursuant to § 32-1-902(3), C.R.S., and § 18-8-308, C.R.S., all known potential conflicting interests of the Directors were disclosed to the Colorado Secretary of State and to the District No. 2 Board in writing at least 72 hours in advance of this meeting; additionally, in accordance with § 24-18-110, C.R.S., the appropriate District No. 2 Board members have made disclosure of their personal and private interests relating to the issuance of the Bonds in writing to the Secretary of State and the District No. 2 Board; finally, the District No. 2 Board members having such interests have stated for the record immediately prior to the

adoption of this Resolution the fact that they have such interests and the summary nature of such interests and the participation of those Board members is necessary to obtain a quorum or otherwise enable the District No. 2 Board to act; and

WHEREAS, there has been presented at or prior to this meeting of the District No. 2 Board substantially final drafts of the Financing Documents (defined in Section 1 below); and

WHEREAS, the District No. 2 Board has the authority, as provided in the Supplemental Public Securities Act, to delegate to any member of the Board the authority to determine certain provisions of the Bonds to be set forth in the Bond Sale Certificate in accordance with the provisions of this Resolution; and

WHEREAS, the District No. 2 Board desires to delegate the authority to the Authorized Delegate pursuant to Section 11-57-205(1), C.R.S. to make certain determinations regarding the Bonds as more specifically set forth herein, subject to the limitations set forth herein, and to authorize the execution and delivery of and performance under the Financing Documents and the execution, completion, and delivery of such certificates and other documents as may be necessary to effect the intent of this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF BASE VILLAGE METROPOLITAN DISTRICT NO. 2, IN THE TOWN OF SNOWMASS VILLAGE, PITKIN COUNTY, COLORADO:

**Section 1. Definitions**. The following capitalized terms shall have the respective meanings set forth below:

*"2013 Capital Pledge Agreement"* has the meaning set forth in the recitals hereof.

*"2013A Loan"* has the meaning set forth in the recitals hereof.

*"2013A Loan Agreement"* means the Loan Agreement dated December 2, 2013 between District No. 2 and U.S. Bank National Association, as lender.

*"2013B Bonds"* has the meaning set forth in the recitals hereof.

*"2013B Bond Resolution"* means the resolution authorizing the issuance of the 2013 Bonds adopted by the District No. 2 Board on November 13, 2013.

*"2016 Capital Pledge Agreement"* has the meaning set forth in the recitals hereof.

*"Authorized Delegate"* means Craig Monzio, an Assistant Secretary of District No. 2, to whom the District No. 2 Board delegates the authority specified in this Resolution.

*"Bond Counsel"* means Kutak Rock LLP, Denver, Colorado.

*"Bond Purchase Agreement"* means the Bond Purchase Agreement between District No. 2 and D.A. Davidson & Co., Denver, Colorado, in its capacity as the original purchaser of the Bonds.

*"Bond Sale Certificate*" means the Bond Sale Certificate executed by the Authorized Delegate under the authority delegated pursuant to this Resolution, which certificate shall set forth, among other things, the rate or rates of interest to be borne by the Bonds; the terms and conditions on which and the prices at which the Bonds may be optionally redeemed by the Authority prior to maturity; the price or prices at which the Bonds are to be sold; the original aggregate principal amount of the Bonds; the amount of principal of the Bonds maturing in particular years, including the final maturity date of the Bonds; the existence and amount of surplus funds and reserve funds; and the allocation to the Bonds of the voted authorization obtained at the Elections.

*"Bonds"* means the General Obligation Limited Tax Refunding Bonds, Series 2016A, issued by District No. 2 pursuant to the Indenture.

"*Code*" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

*"Continuing Disclosure Agreement"* means the Continuing Disclosure Agreement in substantially the form attached as Appendix F to the Preliminary Limited Offering Memorandum.

*"District Counsel"* means White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado.

*"District No. 1"* has the meaning set forth in the recitals hereof.

*"District No. 2"* has the meaning set forth in the recitals hereof.

*"District No. 1 Board*" has the meaning set forth in the recitals hereof.

*"District No. 2 Board*" has the meaning set forth in the recitals hereof.

"*District Representative*" means the person or persons designated to act on behalf of the District pursuant to Section 9 hereof, or as may from time to time be designated by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the District by its President and attested by its Secretary or an Assistant Secretary, and any alternate or alternates designated as such therein.

*"Financial Advisor Pricing Certificate"* means the certificate to be issued by North Slope Capital concurrently with the execution by the Authorized Delegate of the Bond Sale Certificate certifying that the terms contained in the Bond Sale Certificate meet the minimum requirements relating to interest rates, present value savings, and other matters as established by North Slope Capital in the North Slope Capital Report.

*"Financing Documents"* means, collectively, the Bonds, the Indenture, this Resolution, the Termination Agreement, the 2016 Capital Pledge Agreement, the Continuing Disclosure Agreement, and the Bond Purchase Agreement.

*"Indenture"* means the Indenture of Trust dated December 20, 2016 between District No. 2 and the Trustee pursuant to which the Bonds being issued.

*"Limited Offering Memorandum"* means the final version of the Preliminary Limited Offering Memorandum.

*"North Slope Capital"* means North Slope Capital Advisors, Denver, Colorado, in its capacity as the financial advisor to the Districts.

*"North Slope Capital Report"* means the report prepared by North Slope Capital dated November 11, 2016 and entitled "Base Village Metropolitan District No. 2 Independent Evaluation of Refinancing Proposal Financial Advisor Report."

*"Pledged Revenue"* has the meaning set forth in the Indenture.

*"Preliminary Limited Offering Memorandum"* means the Preliminary Limited Offering Memorandum relating to the offer and sale of the Bonds.

"*Resolution*" means this resolution which authorizes the issuance of the Bonds and the execution, delivery, and performance of the Financing Documents by District No. 2 and execution and delivery of the other documents and instruments in connection therewith.

*"Special District Act"* has the meaning set forth in the recitals hereof.

*"Supplemental Public Securities Act"* has the meaning set forth in Section 4(b) hereof.

"*Tax Compliance Certificate*" means the Tax Compliance Certificate of District No. 2 in a form approved by Bond Counsel and addressing matters under the Code relating to the Bonds.

*"Termination Agreement"* means the Termination Agreement dated as of December 20, 2016 by and between District No. 1 and District No. 2, pursuant to which the 2013 Capital Pledge Agreement is terminated.

*"Trustee"* means UMB Bank, n.a., Denver, Colorado, and its successors.

**Section 2. Financing Documents: Approval, Authorization, and Amendment**. The Financing Documents are incorporated herein by reference and are hereby approved. District No. 2 shall enter into and perform its obligations under the Financing Documents in the form of such documents presented at or prior to this meeting, with such changes as are made pursuant to this Section 2 and are not inconsistent herewith. The President of District No. 2 is hereby authorized and directed to execute and deliver the Financing Documents and the Secretary or any Assistant Secretary of District No. 2 is hereby authorized and directed to attest the Financing Documents and to affix the seal of District No. 2 thereto, and any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 2 are further authorized to execute, deliver and authenticate such other documents, instruments, or certificates as are deemed necessary or desirable in order to effect the transactions contemplated under Financing Documents. This Resolution and the other Financing Documents are to be executed in substantially the forms presented at or prior to this meeting of the District No. 2 Board, provided

that such documents, including this Resolution, may be completed, corrected, or revised as deemed necessary or convenient and approved by District Counsel and the District President or another Board member designated by the District President and in consultation with North Slope Capital in order to carry out the purposes of this Resolution and the action taken by the District No. 2 Board at this meeting, and such approval shall be deemed approval by the District No. 2 Board. To the extent any Financing Document has been executed prior to the date hereof, then said execution is hereby ratified and affirmed. Copies of all of Financing Documents shall be delivered, filed, and recorded as provided therein.

Upon execution of Financing Documents, the covenants, agreements, recitals, and representations of District No. 2 therein shall be effective with the same force and effect as if specifically set forth herein, and such covenants, agreements, recitals, and representations are hereby adopted and incorporated herein by reference.

The appropriate officers of District No. 2 are hereby authorized and directed to prepare and furnish to any interested person certified copies of all proceedings and records of District No. 2 relating to Financing Documents and such other affidavits and certificates as may be required to show the facts relating to the authorization and issuance thereof.

The execution of any Financing Document by any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 2 shall be conclusive evidence of the approval by District No. 2 of such instrument in accordance with the terms thereof and hereof.

**Section 3. Delegation of Authority**.

(a) Pursuant to Section 11-57-205, C.R.S., the Board hereby delegates to the Authorized Delegate, for a period of ninety (90) days following adoption of this Resolution, the authority to execute and deliver the Bond Purchase Agreement and the Bond Sale Certificate, and to make the following determinations with respect to the Bonds, subject to the parameters and restrictions set forth below in Section 3(b) below, *and further subject to* the contemporaneous receipt from North Slope Capital of a Financial Advisor Pricing Certificate establishing that the terms contained in the Bond Sale Certificate meet the minimum requirements relating to interest rates, present value savings, and other matters established by North Slope Capital in the North Slope Capital Report.

(i) the rate or rates of interest on the Bonds;

(ii) the terms and conditions on which and the prices at which the Bonds may be optionally redeemed prior to maturity;

(iii) the price or prices at which the Bonds will be sold;

(iv) the original aggregate principal amount of the Bonds;

(v) the amount of Bond principal subject to mandatory sinking fund redemption in any particular year;

(vi) the amount of Bond principal maturing in any particular year;

(vii) the existence and amounts of surplus funds, reserve funds and similar funds, and the amount thereof to be funded with Bond proceeds; and

(viii) the allocation of voted authorization obtained at the Elections to the Bonds.

(b) The foregoing delegated authority is subject to the following parameters and restrictions:

(i) no net effective interest rate on any Bond shall, computed on a net effective basis with the interest rate or rates on the Series 2016B Subordinate Bonds, exceed a rate per annum in excess of that authorized at the Elections;

(ii) no redemption premium to be paid in connection with any optional redemption of the Bonds prior to maturity shall exceed any limitation imposed by the Special District Act or the Elections;

(iii) the original aggregate principal amount of the Bonds, when combined with the aggregate principal amount of the Series 2016B Subordinate Bonds, shall not exceed $58,000,000;

(iv) the amounts of surplus funds, reserve funds and similar funds shall not exceed any limitations under the Code as determined by Bond Counsel;

(v) the allocation of voted authorization to the Bonds shall not exceed any limitations of the Elections; and

(vi) receipt from North Slope Capital of the Financial Advisor Pricing Certificate.

**Section 4. Findings and Declarations of the District No. 2 Board**. The District No. 2 Board, having been fully informed of and having considered all the pertinent facts and circumstances, hereby finds, determines, and declares as follows:

(a) ***Election to Redeem; Notice of Redemption***. The District No. 2 Board finds that it is in the best interests of the Districts, the inhabitants and the taxpayers thereof to effect the Refunding Plan as described in the recitals hereof. In connection therewith, the District No. 2 Board elects to prepay the 2013A Loan pursuant to Section 2.03(b) of the 2013A Loan Agreement and to optionally redeem the 2013B Bonds prior to their maturity pursuant to Section 6(b) of the 2013B Bond Resolution. No notice of prepayment is required under the 2013A Loan Agreement. Notice of prior redemption is required under Section 6(b) of the 2013B Bond Resolution not less than five (5) Business Days (as defined therein) prior to the date fixed for redemption. Accordingly, the District

No. 2 Board hereby authorizes any officer of the District to direct the bond registrar and paying agent for the 2013B Bonds to transmit to the Owner(s) of the 2013B Bonds a notice of prior redemption in accordance with the applicable provisions of the 2013B Bond Resolution.

(b) ***Election to Apply Supplemental Public Securities Act***. The District No. 2 Board specifically elects to apply the provisions of Title 11, Article 57, Part 2, C.R.S. (the "Supplemental Public Securities Act") to the Bonds.

(c) ***Refunding Purpose***. The District No. 2 Board finds that the refunding of the 2013 Obligations will, pursuant to Section 32-1-1302(2), C.R.S., reduce interest costs or effect other economies.

**Section 5. Authorization**. In accordance with the Constitution of the State of Colorado; Title 32, Article 1, Parts 11 and 13, C.R.S.; the Supplemental Public Securities Act; the Elections; and all other laws of the State of Colorado thereunto enabling, District No. 2 shall issue the Bonds for the purposes of (a) refunding the 2013 Obligations; (b) partially funding the Surplus Fund; (c) funding the Reserve Fund; and (d) paying the costs of issuance of the Bonds.

**Section 6. Permitted Amendments to Resolution**. Except as otherwise provided herein, District No. 2 may amend this Resolution in the same manner, and subject to the same terms and conditions, as apply to an amendment or supplement to the Indenture as provided therein.

**Section 7. Authorization to Execute Other Documents and Instruments**. Any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 2 shall, and they are hereby authorized and directed, to take all actions necessary or appropriate to effectuate the provisions of this Resolution, including, but not limited to, the execution and delivery of the Tax Compliance Certificate, Form IRS 8038-G and any other documents relating to the exemption from taxation of interest to accrue on the Bonds; the execution of documents and certificates necessary or desirable to effectuate the entering into of the Financing Documents and the performance by District No. 2 of its obligations thereunder; and such other certificates, documents, instruments, and affidavits as may be reasonably required by Bond Counsel, the Trustee, or District Counsel. The execution by any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 2 of any document not inconsistent herewith shall be conclusive proof of the approval by the District No. 2 Board of the terms thereof.

**Section 8. Limited Offering Memorandum**. The form of the Preliminary Limited Offering Memorandum is hereby authorized and approved. The Board hereby authorizes the preparation and distribution of a final Limited Offering Memorandum in conjunction with an offer of the Bonds to the public. The Limited Offering Memorandum shall contain such corrections and additional or updated information so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. All officers of the District are hereby authorized to execute copies of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum on behalf of the District.

**Section 9. Appointment of District Representative**. Craig Monzio, an Assistant Secretary of District No. 2, is hereby appointed as the District Representative. A different District Representative may from time to time be designated by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of District No. 2 by its President and attested by its Secretary or an Assistant Secretary, and any alternate or alternates may also be designated as such therein.

**Section 10. Costs and Expenses**. All costs and expenses incurred in connection with the issuance of the Bonds shall be paid from proceeds of the Bonds or from legally available moneys of District No. 2, or from a combination thereof, and such moneys are hereby appropriated for that purpose.

**Section 11. No Recourse Against Officers and Agents**. Pursuant to § 11-57-209 of the Supplemental Public Securities Act, if a member of the District No. 2 Board, or any officer or agent of District No. 2 acts in good faith, no civil recourse shall be available against such member, officer, or agent in connection with its obligations under the Financing Documents. Such recourse shall not be available either directly or indirectly through the District No. 2 Board or District No. 2, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise.

**Section 12. Limitation of Actions**. Pursuant to § 11-57-212, C.R.S., no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization or issuance of the Bonds shall be commenced more than thirty days after the date on which this Resolution is adopted.

**Section 13. Ratification and Approval of Prior Actions**. All actions heretofore taken by the officers of District No. 2 and the members of the District No. 2 Board not inconsistent with the provisions of this Resolution, relating to the issuance of the Bonds, the refunding of the 2013A Loan and the 2013B Bonds, the execution and delivery of the Financing Documents and the consummation of the transactions contemplated thereunder are hereby ratified, approved, and confirmed.

**Section 14. Resolution Irrepealable**. After the issuance of the Bonds, this Resolution shall be and remain irrepealable until such time as the Bonds shall have been fully discharged pursuant to the terms thereof and of the Indenture.

**Section 15. Repealer**. All orders, bylaws, and resolutions of District No. 2, or parts thereof, inconsistent or in conflict with this Resolution, are hereby repealed to the extent only of such inconsistency or conflict.

**Section 16. Severability**. If any section, paragraph, clause, or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution, the intent being that the same are severable.

**Section 17. Effective Date**. This Resolution shall take effect immediately upon its adoption and approval.

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THIS RESOLUTION IS ADOPTED AND APPROVED this 16th day of November, 2016.

BASE VILLAGE METROPOLITAN DISTRICT NO. 2

[SEAL]

By _____
Matt Foley, President

ATTEST:

By _____
Secretary or Assistant Secretary

[Signature page to District No. 2 Resolution (Series 2016A Senior Bonds)]

Thereupon, Director _____ moved for the adoption of the foregoing resolution. The motion to adopt the resolution was duly seconded by Director _____, put to a vote, and carried on the following recorded vote:

Those voting AYE:

Those voting NAY:

Those abstaining:

Those absent:

Thereupon the President, as Chairman of the meeting, declared the Resolution duly adopted and the Secretary agreed to duly and properly enter the foregoing proceedings and resolution upon the minutes of the District No. 2 Board.

Thereupon, after consideration of other business before the District No. 2 Board, the meeting was adjourned.

STATE OF COLORADO )
COUNTY OF PITKIN ) ss.
TOWN OF SNOWMASS VILLAGE )
BASE VILLAGE METROPOLITAN DISTRICT NO. 2 )

I, _____, Secretary or Assistant Secretary of Base Village Metropolitan District No. 2, in the Town of Snowmass Village, Pitkin County, Colorado ("District No. 2"), do hereby certify that the foregoing pages numbered (i) through (iii) and 1 through 13 inclusive, constitute a true and correct copy of that portion of the record of proceedings of the Board of Directors of District No. 2 (the "District No. 2 Board") relating to the adoption of a resolution authorizing the issuance of by District No. 2 of its General Obligation Limited Tax Refunding Bonds, Series 2016A, adopted at a joint special meeting of the Boards of Directors of District No. 2 and Base Village Metropolitan District No. 1 held on Wednesday, the 16th day of November, 2016, at the hour of 11:00 a.m., at 110 Carriage Way, Snowmass Village, Colorado, as recorded in the official record of proceedings of District No. 2 kept in my office; that the proceedings were duly had and taken; that the meeting was duly held; that the persons therein named were present at said meeting and voted as shown therein; and that a notice of meeting, in the form herein set forth at page (i), was posted at three public places within District No. 2, and at the office of the Clerk and Recorder of Pitkin County, Colorado, at least seventy-two hours prior to the meeting, in accordance with law.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of District No. 2, this ____ day of November, 2016.

_____
Secretary or Assistant Secretary

SEAL

**CERTIFIED RECORD**

**OF**

**PROCEEDINGS OF**

**THE BOARD OF DIRECTORS**

**OF**

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**
**In the Town of Snowmass Village**
**Pitkin County, Colorado**

relating to a Resolution authorizing:

**Base Village Metropolitan District No. 2**
**Subordinate General Obligation Limited Tax Refunding Bonds**
**Series 2016B**

Adopted at a Joint Special Meeting Held on November 16, 2016

*This cover page is not a part of the following resolution and is included solely for the convenience of the reader.*

(Attach copy of notice of meeting, as posted)

| | |
|---|---|
| STATE OF COLORADO | ) |
| PITKIN COUNTY | ) ss. |
| TOWN OF SNOWMASS VILLAGE | ) |
| BASE VILLAGE METROPOLITAN DISTRICT NO. 2 | ) |

The District No. 2 Board of Directors (the "Board of Directors") of Base Village Metropolitan District No. 2, in the Town of Snowmass Village, Pitkin County, Colorado ("District No. 2"), met at a joint special meeting of District No. 2 and Base Village Metropolitan District No. 1 ("District No. 1" and, together with District No. 2, collectively, the "Districts"), on Wednesday, the 16th day of November, 2016, at the hour of 11:00 a.m., at 110 Carriage Way, Snowmass Village, Colorado.

At such meeting, the following members of the Boards of Directors of each of the Districts (each, a "Director" and, in such collective capacity, the "Board") were present in person or via teleconference, constituting a quorum:

| | |
|---|---|
| Matt Foley | President |
| Leticia Hanke | Treasurer |
| Steve Sewell | Secretary |
| James D'Agostino | Assistant Secretary |
| Craig Monzio | Assistant Secretary |

The following members of the Board were absent:

Also present in person or via teleconference:

| | |
|---|---|
| District Counsel: | William P. Ankele, Jr., Esq.<br>White Bear Ankele Tanaka & Waldron |
| Bond Counsel: | Kristine Lay, Esq.<br>Kutak Rock LLP |
| District Accountant: | Sarah Hunsche<br>CliftonLarsenAllen LLP |
| Underwriter: | Sam Sharp<br>D.A. Davidson & Co. |
| Other: | Members of the Public |

The Secretary reported that, prior to this joint special meeting, each of the Directors had been notified of the date, time and place of this meeting and the purpose for which it was called, and notice of this joint special meeting was duly given and posted as required by law, a copy of such notice being included herein.

Thereupon there was introduced the following resolution:

# RESOLUTION

**RESOLUTION AUTHORIZING BASE VILLAGE METROPOLITAN DISTRICT NO. 2 TO ISSUE ITS SUBORDINATE GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS, SERIES 2016B, IN AN AGGREGATE PRINCIPAL AMOUNT WHICH, WHEN COMBINED WITH THE AGGREGATE PRINCIPAL AMOUNT OF ITS GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS, SERIES 2016A, WILL NOT EXCEED $58,000,000, FOR THE PURPOSE OF EFFECTING A REFUNDING PLAN AS DESCRIBED HEREIN AND, IN CONNECTION THEREWITH, APPROVING THE EXECUTION AND DELIVERY OF AND PERFORMANCE UNDER AN INDENTURE OF TRUST AND RELATED DOCUMENTS AND INSTRUMENTS; MAKING FINDINGS IN CONNECTION WITH THE FOREGOING; DELEGATING AUTHORITY TO ONE OR MORE MEMBERS OF THE BOARD TO MAKE CERTAIN DETERMINATIONS RELATING TO SUCH BONDS AS AUTHORIZED UNDER SECTION 11-57-205, C.R.S.; AUTHORIZING INCIDENTAL ACTION; REPEALING PRIOR INCONSISTENT ACTIONS; AND SETTING FORTH THE EFFECTIVE DATE HEREOF.**

WHEREAS, Base Village Metropolitan District No. 2 ("District No. 2") is a duly and regularly created, established, organized, and existing metropolitan district, existing as such under and pursuant to the constitution and laws of the State of Colorado and the Amended and Restated Service Plan of Base Village Metropolitan District No. 2 and Base Village Metropolitan District No. 1 dated October 17, 2006 and approved by the Town Council of the Town of Snowmass Village, Colorado, pursuant to Resolution No. 52, Series of 2006, on October 23, 2006 (the "Service Plan");

WHEREAS, capitalized terms used and not otherwise defined in the recitals hereof shall have the meanings set forth in Section 1 below; and

WHEREAS, District No. 2 and Base Village Metropolitan District No. 1 ("District No. 1" and, together with District No. 2, collectively, the "Districts") are authorized by Title 32, Article 1, C.R.S. (the "Special District Act") to furnish certain public facilities and services, including but not limited to, streets, public transportation, parks and recreation, fire protection and traffic and safety control improvements ("Public Improvements") in accordance with the Service Plan; and

WHEREAS, under the Service Plan, the Districts are intended to work together and coordinate their activities with respect to the financing, construction, operation and maintenance of Public Improvements in order to serve development within their common service area;

WHEREAS, pursuant to the Colorado Constitution, Article XIV, Section 18(2)(a), and Section 29-1-203, C.R.S., governmental entities such as the Districts may cooperate or contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide for the sharing of costs, the imposition and collection of taxes, and the incurring of debt; and

WHEREAS, at elections duly called and held on November 2, 2004, on November 7, 2006 and on November 6, 2007 (collectively, the "Elections") in accordance with law and pursuant to due notice, a majority of the qualified electors of District No. 2 and District No. 1 voting at the Elections approved the ballot issues authorizing indebtedness of District No. 2 and District No. 1; and

WHEREAS, the returns of the Elections were duly canvassed and the results thereof declared; and

WHEREAS, pursuant to Section 32-1-1101.5, C.R.S., the results of the Elections were certified by each of the Districts by certified mail, to the governing body of the Town of Snowmass Village (the "Town") and with the division of securities created by Section 11-51-701, C.R.S., within forty-five days after each of the Elections; and

WEHREAS, pursuant to the Base Village Intergovernmental Agreement, dated as of September 30, 2006 by and among the Snowmass Village General Improvement District No. 1 (the "GID") and the Districts (the "Intergovernmental Agreement"), the Districts have agreed, among other things, to limitations on the imposition of property taxes, property tax sharing with the GID and the issuance of debt by District No. 2 to facilitate the development, construction and/or acquisition of certain public infrastructure (the "Facilities"); and

WHEREAS, due to the nature of the Facilities and proximity and interrelatedness of the development that has occurred and is anticipated to occur, the Districts previously determined that such Facilities benefit the Districts' residents, property owners and taxpayers in the Districts as a whole; and

WHEREAS, the Board of Directors of District No. 1 (the "District No. 1 Board") previously determined that, in furtherance of District No. 1's role and obligations as contemplated in the Service Plan and the Intergovernmental Agreement, and in light of the benefit derived by District No. 1's property owners, occupants, and taxpayers from the Facilities, District No. 1 shall be liable for a portion of the repayment of indebtedness issued by District No. 2 to finance the Facilities, as such indebtedness may from time to time be refunded and restructured; and

WHEREAS, for purpose of financing the Facilities, District No. 2 previously issued its $15,200,000 Limited Tax Variable Rate Senior Bonds, Series 2008A; its $32,550,000 Limited Tax Variable Rate Junior Bonds, Series 2008B, which junior bonds were paid and discharged and in lieu thereof, a Limited Tax Guarantor Bond, Series 2008 was issued in the amount of $32,550,000 (the "Original Guarantor Bond"); and its Developer Subordinate Note, Series 2008D, dated December 1, 2009 (collectively, the "Prior 2008 Obligations"); and

WHEREAS, for the purpose of refunding and restructuring the Prior 2008 Obligations, District No. 2 issued its $20,300,000 Senior Limited Tax Refunding Loan, Series 2013A (the "2013A Loan") and its $23,760,000 Subordinate Limited Tax Revenue Refunding Bonds, Series 2013B (the "2013B Bonds"), and the Original Guarantor Bond was reissued in the principal amount of $1,278,000 (as so reissued, the "Guarantor Bond") (collectively, the "2013 Obligations"); and

WHEREAS, the Board of Directors of District No. 2 (the "District No. 2 Board") has determined and hereby determines that it is in the best interests of the Districts, and the residents and taxpayers thereof, that District No. 2 enter into a refunding and restructuring program with respect to the 2013 Obligations (the "Refunding Plan"); and

WHEREAS, under the Refunding Plan, the Series 2016A Senior Bonds (defined below) will (a) prepay in full all outstanding principal and accrued interest thereon with respect to the 2013A Loan; and (b) redeem as much of the outstanding principal of the 2013B Bonds together with accrued interest thereon as can be redeemed with the net proceeds of the Series 2016A Senior Bonds; and

WHEREAS, under the Refunding Plan, the Bonds (defined below) will (a) redeem as much of the remaining outstanding principal (after application of Series 2016A Senior Bond proceeds to such bonds) of the 2013B Bonds together with accrued interest thereon as can be redeemed with the issuance of the Bonds; and (b) redeem as much of the outstanding principal of the Guarantor Bond and pay as much of the accrued interest thereon as can be redeemed and paid with the issuance of the Bonds; and

WHEREAS, under the Refunding Plan, it is anticipated that the net proceeds of the Bonds will not be sufficient to fully redeem, pay and cancel the remaining 2013 Bonds not redeemed with proceeds of the Series 2016A Senior Bonds; and

WHEREAS, under the Refunding Plan, it is anticipated that the net proceeds of the Bonds will not be sufficient to redeem any of the outstanding principal of the Guarantor Bonds nor pay any accrued interest thereon; and

WHEREAS, under the Refunding Plan, it is anticipated that the indebtedness represented by a portion of the 2013B Bonds and all of the Guarantor Bonds will be forgiven by the owners thereof; and

WHEREAS, or the purpose of carrying out such Refunding Plan, in part, there shall be issued Subordinate General Obligation Limited Tax Refunding Bonds, Series 2016B, of District No. 2 in an aggregate principal amount which, when combined with the aggregate principal amount of the Series 2016A Senior Bonds (defined below), will not exceed $58,000,000 (the "Bonds"); and

WHEREAS, concurrently with the issuance of the Bonds, District No. 2 is issuing its General Obligation Limited Tax Refunding Bonds, Series 2016A, in an aggregate principal amount which, when combined with the aggregate principal amount of the Bonds, will not exceed $58,000,000 (the "Series 2016A Senior Bonds" and, together with the Bonds, collectively, the "2016 Obligations"), for the purpose of effecting that part of the Refunding Plan not effected with the issuance of the Bonds; and

WHEREAS, the Bonds shall be issued pursuant to the provisions of Title 32, Article 1, Parts 11 and 13, C.R.S., and all other laws thereunto enabling; and

WHEREAS, the Board specifically elects to apply the provisions of Title 11, Article 57, Part 2, C.R.S., to the Bonds; and

WHEREAS, the Bonds shall be cash flow limited mill levy obligations of District No. 2, payable solely from and to the extent of the Pledged Revenue and moneys on deposit in the funds and accounts held under the Indenture; and

WHEREAS, the Bonds shall be issued in denominations of $500,000 each, and in integral multiples above $500,000 of not less than $1,000 each, and not less than five days prior to the date of issuance of the Bonds, District No. 2 filed for an exemption from registration for the Bonds under the Colorado Municipal Bond Supervision Act based upon the foregoing, and the Bonds are exempt from registration under such act; and

WHEREAS, the Bonds are payable from a limited debt service mill levy, which mill levy shall not exceed fifty mills, and thus are authorized under Section 32-1-1101 (6)(b), C.R.S.; and

WHEREAS, pursuant to § 32-1-902(3), C.R.S., and § 18-8-308, C.R.S., all known potential conflicting interests of the Directors were disclosed to the Colorado Secretary of State and to the District No. 2 Board in writing at least 72 hours in advance of this meeting; additionally, in accordance with § 24-18-110, C.R.S., the appropriate District No. 2 Board members have made disclosure of their personal and private interests relating to the issuance of the Bonds in writing to the Secretary of State and the District No. 2 Board; finally, the District No. 2 Board members having such interests have stated for the record immediately prior to the adoption of this Resolution the fact that they have such interests and the summary nature of such interests and the participation of those Board members is necessary to obtain a quorum or otherwise enable the District No. 2 Board to act; and

WHEREAS, there has been presented at or prior to this meeting of the District No. 2 Board substantially final drafts of the Financing Documents (defined in Section 1 below); and

WHEREAS, the District No. 2 Board has the authority, as provided in the Supplemental Public Securities Act, to delegate to any member of the Board the authority to determine certain provisions of the Bonds to be set forth in the Bond Sale Certificate in accordance with the provisions of this Resolution; and

WHEREAS, the District No. 2 Board desires to delegate the authority to the Authorized Delegate pursuant to Section 11-57-205(1), C.R.S. to make certain determinations regarding the Bonds as more specifically set forth herein, subject to the limitations set forth herein, and to authorize the execution and delivery of and performance under the Financing Documents and the execution, completion, and delivery of such certificates and other documents as may be necessary to effect the intent of this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF BASE VILLAGE METROPOLITAN DISTRICT NO. 2, IN THE TOWN OF SNOWMASS VILLAGE, PITKIN COUNTY, COLORADO:

**Section 1. Definitions**. The following capitalized terms shall have the respective meanings set forth below:

*"2013B Bonds"* has the meaning set forth in the recitals hereof.

*"2013B Bond Resolution"* means the resolution authorizing the issuance of the 2013 Bonds adopted by the District No. 2 Board on November 13, 2013.

*"Authorized Delegate"* means Craig Monzio, an Assistant Secretary of District No. 2, to whom the District No. 2 Board delegates the authority specified in this Resolution.

*"Bond Counsel"* means Kutak Rock LLP, Denver, Colorado.

*"Bond Sale Certificate*" means the Bond Sale Certificate executed by the Authorized Delegate under the authority delegated pursuant to this Resolution, which certificate shall set forth, among other things, the rate or rates of interest to be borne by the Bonds; the terms and conditions on which and the prices at which the Bonds may be optionally redeemed by the Authority prior to maturity; the price or prices at which the Bonds are to be sold; the original aggregate principal amount of the Bonds; the amount of principal of the Bonds maturing in particular years, including the final maturity date of the Bonds; the existence and amount of surplus funds and reserve funds; and the allocation to the Bonds of the voted authorization obtained at the Elections.

*"Bonds"* or "Series 2016B Subordinate Bonds" means the Subordinate General Obligation Limited Tax Refunding Bonds, Series 2016B, issued by District No. 2 pursuant to the Indenture.

"*Code*" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

*"District Counsel"* means White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado.

*"District No. 1"* has the meaning set forth in the recitals hereof.

*"District No. 2"* has the meaning set forth in the recitals hereof.

"*District No. 1 Board*" has the meaning set forth in the recitals hereof.

"*District No. 2 Board*" has the meaning set forth in the recitals hereof.

"*District Representative*" means the person or persons designated to act on behalf of the District pursuant to Section 8 hereof, or as may from time to time be designated by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the District by its President and attested by its Secretary or an Assistant Secretary, and any alternate or alternates designated as such therein.

*"Financial Advisor Pricing Certificate"* means the certificate to be issued by North Slope Capital concurrently with the execution by the Authorized Delegate of the Bond Sale Certificate certifying that the terms contained in the Bond Sale Certificate meet the minimum requirements

relating to interest rates, present value savings, and other matters as established by North Slope Capital in the North Slope Capital Report.

*"Financing Documents"* means, collectively, the Bonds, the Indenture, and this Resolution.

*"Indenture"* means the Indenture of Trust dated December 20, 2016 between District No. 2 and the Trustee pursuant to which the Bonds being issued.

*"North Slope Capital"* means North Slope Capital Advisors, Denver, Colorado, in its capacity as the financial advisor to the Districts.

*"North Slope Capital Report"* means the report prepared by North Slope Capital dated November 11, 2016 and entitled "Base Village Metropolitan District No. 2 Independent Evaluation of Refinancing Proposal Financial Advisor Report."

*"Pledged Revenue"* has the meaning set forth in the Indenture.

"*Resolution*" means this resolution which authorizes the issuance of the Bonds and the execution, delivery, and performance of the Financing Documents by District No. 2 and execution and delivery of the other documents and instruments in connection therewith.

*"Special District Act"* has the meaning set forth in the recitals hereof.

*"Supplemental Public Securities Act"* has the meaning set forth in Section 4(b) hereof.

"*Tax Compliance Certificate*" means the Tax Compliance Certificate of District No. 2 in a form approved by Bond Counsel and addressing matters under the Code relating to the Bonds.

*"Trustee"* means UMB Bank, n.a., Denver, Colorado, and its successors.

**Section 2. Financing Documents: Approval, Authorization, and Amendment**. The Financing Documents are incorporated herein by reference and are hereby approved. District No. 2 shall enter into and perform its obligations under the Financing Documents in the form of such documents presented at or prior to this meeting, with such changes as are made pursuant to this Section 2 and are not inconsistent herewith. The President of District No. 2 is hereby authorized and directed to execute and deliver the Financing Documents and the Secretary or any Assistant Secretary of District No. 2 is hereby authorized and directed to attest the Financing Documents and to affix the seal of District No. 2 thereto, and any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 2 are further authorized to execute, deliver and authenticate such other documents, instruments, or certificates as are deemed necessary or desirable in order to effect the transactions contemplated under Financing Documents. This Resolution and the other Financing Documents are to be executed in substantially the forms presented at or prior to this meeting of the District No. 2 Board, provided that such documents, including this Resolution, may be completed, corrected, or revised as deemed necessary or convenient and approved by District Counsel and the District President or another Board member designated by the District President and in consultation with North Slope Capital in order to carry out the purposes of this Resolution and the action taken by the District

No. 2 Board at this meeting, and such approval shall be deemed approval by the District No. 2 Board. To the extent any Financing Document has been executed prior to the date hereof, then said execution is hereby ratified and affirmed. Copies of all of Financing Documents shall be delivered, filed, and recorded as provided therein.

Upon execution of Financing Documents, the covenants, agreements, recitals, and representations of District No. 2 therein shall be effective with the same force and effect as if specifically set forth herein, and such covenants, agreements, recitals, and representations are hereby adopted and incorporated herein by reference.

The appropriate officers of District No. 2 are hereby authorized and directed to prepare and furnish to any interested person certified copies of all proceedings and records of District No. 2 relating to Financing Documents and such other affidavits and certificates as may be required to show the facts relating to the authorization and issuance thereof.

The execution of any Financing Document by any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 2 shall be conclusive evidence of the approval by District No. 2 of such instrument in accordance with the terms thereof and hereof.

**Section 3. Delegation of Authority**.

(a) Pursuant to Section 11-57-205, C.R.S., the Board hereby delegates to the Authorized Delegate, for a period of ninety (90) days following adoption of this Resolution, the authority to execute and deliver the Bond Purchase Agreement and the Bond Sale Certificate, and to make the following determinations with respect to the Bonds, subject to the parameters and restrictions set forth below in Section 3(b) below, *and further subject to* the contemporaneous receipt from North Slope Capital of a Financial Advisor Pricing Certificate establishing that the terms contained in the Bond Sale Certificate meet the minimum requirements relating to interest rates, present value savings, and other matters established by North Slope Capital in the North Slope Capital Report.

(i) the rate or rates of interest on the Bonds;

(ii) the terms and conditions on which and the prices at which the Bonds may be optionally redeemed prior to maturity;

(iii) the price or prices at which the Bonds will be sold;

(iv) the original aggregate principal amount of the Bonds;

(v) the amount of Bond principal subject to mandatory sinking fund redemption in any particular year;

(vi) the amount of Bond principal maturing in any particular year;

(vii) the existence and amounts of surplus funds, reserve funds and similar funds, and the amount thereof to be funded with Bond proceeds; and

(viii) the allocation of voted authorization obtained at the Elections to the Bonds.

(b) The foregoing delegated authority is subject to the following parameters and restrictions:

(i) no net effective interest rate on any Bond shall, computed on a net effective basis with the interest rate or rates on the Series 2016A Senior Bonds, exceed a rate per annum in excess of that authorized at the Elections;

(ii) no redemption premium to be paid in connection with any optional redemption of the Bonds prior to maturity shall exceed any limitation imposed by the Special District Act or the Elections;

(iii) the original aggregate principal amount of the Bonds, when combined with the aggregate principal amount of the Series 2016A Senior Bonds, shall not exceed $58,000,000;

(iv) the amounts of surplus funds, reserve funds and similar funds shall not exceed any limitations under the Code as determined by Bond Counsel;

(v) the allocation of voted authorization to the Bonds shall not exceed any limitations of the Elections; and

(vi) receipt from North Slope Capital of the Financial Advisor Pricing Certificate.

**Section 4. Findings and Declarations of the District No. 2 Board**. The District No. 2 Board, having been fully informed of and having considered all the pertinent facts and circumstances, hereby finds, determines, and declares as follows:

(a) ***Election to Redeem; Notice of Redemption***. The District No. 2 Board finds that it is in the best interests of the Districts, the inhabitants and the taxpayers thereof to effect the Refunding Plan as described in the recitals hereof. In connection therewith, the District No. 2 Board elects to optionally redeem the 2013B Bonds prior to their maturity pursuant to Section 6(b) of the 2013B Bond Resolution. Notice of prior redemption is required under Section 6(b) of the 2013B Bond Resolution not less than five (5) Business Days (as defined therein) prior to the date fixed for redemption. Accordingly, the District No. 2 Board hereby authorizes any officer of the District to direct the bond registrar and paying agent for the 2013B Bonds to transmit to the Owner(s) of the 2013B Bonds a notice of prior redemption in accordance with the applicable provisions of the 2013B Bond Resolution.

(b) ***Election to Apply Supplemental Public Securities Act***. The District No. 2 Board specifically elects to apply the provisions of Title 11, Article 57, Part 2, C.R.S. (the "Supplemental Public Securities Act") to the Bonds.

(c) ***Refunding Purpose***. The District No. 2 Board finds that the refunding of the 2013B Bonds will, pursuant to Section 32-1-1302(2), C.R.S., reduce interest costs or effect other economies.

**Section 5. Authorization**. In accordance with the Constitution of the State of Colorado; Title 32, Article 1, Parts 11 and 13, C.R.S.; the Supplemental Public Securities Act; the Elections; and all other laws of the State of Colorado thereunto enabling, District No. 2 shall issue the Bonds for the purposes of (a) refunding a portion of the 2013B Bonds and (b) paying the costs of issuance of the Bonds.

**Section 6. Permitted Amendments to Resolution**. Except as otherwise provided herein, District No. 2 may amend this Resolution in the same manner, and subject to the same terms and conditions, as apply to an amendment or supplement to the Indenture as provided therein.

**Section 7. Authorization to Execute Other Documents and Instruments**. Any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 2 shall, and they are hereby authorized and directed, to take all actions necessary or appropriate to effectuate the provisions of this Resolution, including, but not limited to, the execution and delivery of the Tax Compliance Certificate, Form IRS 8038-G and any other documents relating to the exemption from taxation of interest to accrue on the Bonds; the execution of documents and certificates necessary or desirable to effectuate the entering into of the Financing Documents and the performance by District No. 2 of its obligations thereunder; and such other certificates, documents, instruments, and affidavits as may be reasonably required by Bond Counsel, the Trustee, or District Counsel. The execution by any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 2 of any document not inconsistent herewith shall be conclusive proof of the approval by the District No. 2 Board of the terms thereof.

**Section 8. Appointment of District Representative**. Craig Monzio, an Assistant Secretary of District No. 2, is hereby appointed as the District Representative. A different District Representative may from time to time be designated by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of District No. 2 by its President and attested by its Secretary or an Assistant Secretary, and any alternate or alternates may also be designated as such therein.

**Section 9. Costs and Expenses**. All costs and expenses incurred in connection with the issuance of the Bonds shall be paid from proceeds of the Bonds or from legally available moneys of District No. 2, or from a combination thereof, and such moneys are hereby appropriated for that purpose.

**Section 10. No Recourse Against Officers and Agents**. Pursuant to § 11-57-209 of the Supplemental Public Securities Act, if a member of the District No. 2 Board, or any officer or agent of District No. 2 acts in good faith, no civil recourse shall be available against such

member, officer, or agent in connection with its obligations under the Financing Documents. Such recourse shall not be available either directly or indirectly through the District No. 2 Board or District No. 2, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise.

**Section 11. Limitation of Actions**. Pursuant to § 11-57-212, C.R.S., no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization or issuance of the Bonds shall be commenced more than thirty days after the date on which this Resolution is adopted.

**Section 12. Ratification and Approval of Prior Actions**. All actions heretofore taken by the officers of District No. 2 and the members of the District No. 2 Board not inconsistent with the provisions of this Resolution, relating to the issuance of the Bonds, the refunding of the 2013B Bonds, the execution and delivery of the Financing Documents and the consummation of the transactions contemplated thereunder are hereby ratified, approved, and confirmed.

**Section 13. Resolution Irrepealable**. After the issuance of the Bonds, this Resolution shall be and remain irrepealable until such time as the Bonds shall have been fully discharged pursuant to the terms thereof and of the Indenture.

**Section 14. Repealer**. All orders, bylaws, and resolutions of District No. 2, or parts thereof, inconsistent or in conflict with this Resolution, are hereby repealed to the extent only of such inconsistency or conflict.

**Section 15. Severability**. If any section, paragraph, clause, or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution, the intent being that the same are severable.

**Section 16. Effective Date**. This Resolution shall take effect immediately upon its adoption and approval.

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THIS RESOLUTION IS ADOPTED AND APPROVED this 16th day of November, 2016.

BASE VILLAGE METROPOLITAN DISTRICT NO. 2

[SEAL]

By _____
Matt Foley, President

ATTEST:

By _____
Secretary or Assistant Secretary

[Signature page to District No. 2 Resolution (Series 2016A Senior Bonds)]

Thereupon, Director _____ moved for the adoption of the foregoing resolution. The motion to adopt the resolution was duly seconded by Director _____, put to a vote, and carried on the following recorded vote:

Those voting AYE:

Those voting NAY:

Those abstaining:

Those absent:

Thereupon the President, as Chairman of the meeting, declared the Resolution duly adopted and the Secretary agreed to duly and properly enter the foregoing proceedings and resolution upon the minutes of the District No. 2 Board.

Thereupon, after consideration of other business before the District No. 2 Board, the meeting was adjourned.

STATE OF COLORADO )
COUNTY OF PITKIN ) ss.
TOWN OF SNOWMASS VILLAGE )
BASE VILLAGE METROPOLITAN DISTRICT NO. 2 )

I, _____, Secretary or Assistant Secretary of Base Village Metropolitan District No. 2, in the Town of Snowmass Village, Pitkin County, Colorado ("District No. 2"), do hereby certify that the foregoing pages numbered (i) through (iii) and 1 through 11 inclusive, constitute a true and correct copy of that portion of the record of proceedings of the Board of Directors of District No. 2 (the "District No. 2 Board") relating to the adoption of a resolution authorizing the issuance of by District No. 2 of its General Obligation Limited Tax Refunding Bonds, Series 2016A, adopted at a joint special meeting of the Boards of Directors of District No. 2 and Base Village Metropolitan District No. 1 held on Wednesday, the 16th day of November, 2016, at the hour of 11:00 a.m., at 110 Carriage Way, Snowmass Village, Colorado, as recorded in the official record of proceedings of District No. 2 kept in my office; that the proceedings were duly had and taken; that the meeting was duly held; that the persons therein named were present at said meeting and voted as shown therein; and that a notice of meeting, in the form herein set forth at page (i), was posted at three public places within District No. 2, and at the office of the Clerk and Recorder of Pitkin County, Colorado, at least seventy-two hours prior to the meeting, in accordance with law.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of District No. 2, this ____ day of November, 2016.

_____
Secretary or Assistant Secretary

SEAL

**CERTIFIED RECORD**

**OF**

**PROCEEDINGS OF**

**THE BOARD OF DIRECTORS**

**OF**

**BASE VILLAGE METROPOLITAN DISTRICT NO. 1**
**In the Town of Snowmass Village**
**Pitkin County, Colorado**

Relating to a Resolution authorizing a

**2016 Capital Pledge Agreement**

In connection with

**Base Village Metropolitan District No. 2**
**General Obligation Limited Tax Refunding Bonds**
**Series 2016A**

Adopted at a Joint Special Meeting Held on November 16, 2016

*This cover page is not a part of the following resolution and is included solely for the convenience of the reader.*

(Attach copy of notice of meeting, as posted)

| | |
|---|---|
| STATE OF COLORADO | ) |
| PITKIN COUNTY | ) ss. |
| TOWN OF SNOWMASS VILLAGE | ) |
| BASE VILLAGE METROPOLITAN DISTRICT NO. 1 | ) |

The District No. 1 Board of Directors (the "Board of Directors") of Base Village Metropolitan District No. 1, in the Town of Snowmass Village, Pitkin County, Colorado ("District No. 1"), met at a joint special meeting of District No. 1 and Base Village Metropolitan District No. 2 ("District No. 2" and, together with District No. 1, collectively, the "Districts"), on Wednesday, the 16th day of November, 2016, at the hour of 11:00 a.m., at 110 Carriage Way, Snowmass Village, Colorado.

At such meeting, the following members of the Boards of Directors of each of the Districts (each, a "Director" and, in such collective capacity, the "Board") were present in person or via teleconference, constituting a quorum:

| | |
|---|---|
| Matt Foley | President |
| Leticia Hanke | Treasurer |
| Steve Sewell | Secretary |
| James D'Agostino | Assistant Secretary |
| Craig Monzio | Assistant Secretary |

The following members of the Board were absent:

Also present in person or via teleconference:

| | |
|---|---|
| District Counsel: | William P. Ankele, Jr., Esq.<br>White Bear Ankele Tanaka & Waldron |
| Bond Counsel: | Kristine Lay, Esq.<br>Kutak Rock LLP |
| District Accountant: | Sarah Hunsche<br>CliftonLarsenAllen LLP |
| Underwriter: | Sam Sharp<br>D.A. Davidson & Co. |
| Other: | Members of the Public |

The Secretary reported that, prior to this joint special meeting, each of the Directors had been notified of the date, time and place of this meeting and the purpose for which it was called, and notice of this joint special meeting was duly given and posted as required by law, a copy of such notice being included herein.

Thereupon there was introduced the following resolution:

# RESOLUTION

**RESOLUTION AUTHORIZING BASE VILLAGE METROPOLITAN DISTRICT NO. 1 TO ENTER INTO A LIMITED TAX OBLIGATION IN THE FORM OF A 2016 CAPITAL PLEDGE AGREEMENT WITH BASE VILLAGE METROPOLITAN DISTRICT NO. 2 ("DISTRICT NO. 2") RELATING TO DISTRICT NO. 2'S GENERAL OBLIGATION LIMITED TAX REFUNDING BONDS, SERIES 2016A (AND ANY REFUNDINGS THEREOF AND FUTURE PARITY OBLIGATIONS, IF ANY); AUTHORIZING A TERMINATION AGREEMENT RELATING TO THE 2013 CAPITAL PLEDGE AGREEMENT; APPROVING THE FORMS THEREOF; AUTHORIZING THE EXECUTION AND DELIVERY THEREOF AND OF OTHER DOCUMENTS AND INSTRUMENTS IN CONNECTION THEREWITH; MAKING FINDINGS IN CONNECTION WITH THE FOREGOING; AUTHORIZING INCIDENTAL ACTION; REPEALING PRIOR INCONSISTENT ACTIONS; AND SETTING FORTH THE EFFECTIVE DATE HEREOF.**

WHEREAS, Base Village Metropolitan District No. 1 ("District No. 1") is a duly and regularly created, established, organized, and existing metropolitan district, existing as such under and pursuant to the constitution and laws of the State of Colorado and the Amended and Restated Service Plan of Base Village Metropolitan District No. 1 and Base Village Metropolitan District No. 2 dated October 17, 2006 and approved by the Town Council of the Town of Snowmass Village, Colorado, pursuant to Resolution No. 52, Series of 2006, on October 23, 2006 (the "Service Plan");

WHEREAS, capitalized terms used and not otherwise defined in the recitals hereof shall have the meanings set forth in Section 1 below; and

WHEREAS, District No. 1 and Base Village Metropolitan District No. 2 ("District No. 2" and, together with District No. 1, collectively, the "Districts") are authorized by Title 32, Article 1, C.R.S. (the "Special District Act") to furnish certain public facilities and services, including but not limited to, streets, public transportation, parks and recreation, fire protection and traffic and safety control improvements ("Public Improvements") in accordance with the Service Plan; and

WHEREAS, under the Service Plan, the Districts are intended to work together and coordinate their activities with respect to the financing, construction, operation and maintenance of Public Improvements in order to serve development within their common service area;

WHEREAS, pursuant to the Colorado Constitution, Article XIV, Section 18(2)(a), and Section 29-1-203, C.R.S., governmental entities such as the Districts may cooperate or contract with each other to provide any function, service or facility lawfully authorized to each, and any such contract may provide for the sharing of costs, the imposition and collection of taxes, and the incurring of debt; and

WHEREAS, at elections duly called and held on November 2, 2004, on November 7, 2006 and on November 6, 2007 (collectively, the "Elections") in accordance with law and pursuant to due notice, a majority of the qualified electors of District No. 1 and District No. 2

voting at the Elections approved the ballot issues authorizing indebtedness of District No. 1 and District No. 2; and

WHEREAS, the returns of the Elections were duly canvassed and the results thereof declared; and

WHEREAS, pursuant to Section 32-1-1101.5, C.R.S., the results of the Elections were certified by each of the Districts by certified mail, to the governing body of the Town of Snowmass Village (the "Town") and with the division of securities created by Section 11-51-701, C.R.S., within forty-five days after each of the Elections; and

WEHREAS, pursuant to the Base Village Intergovernmental Agreement, dated as of September 30, 2006 by and among the Snowmass Village General Improvement District No. 1 (the "GID") and the Districts (the "Intergovernmental Agreement"), the Districts have agreed, among other things, to limitations on the imposition of property taxes, property tax sharing with the GID and the issuance of debt by District No. 2 to facilitate the development, construction and/or acquisition of certain public infrastructure (the "Facilities"); and

WHEREAS, due to the nature of the Facilities and proximity and interrelatedness of the development that has occurred and is anticipated to occur, the Districts previously determined that such Facilities benefit the Districts' residents, property owners and taxpayers in the Districts as a whole; and

WHEREAS, the Board of Directors of District No. 1 (the "District No. 1 Board") previously determined that, in furtherance of District No. 1's role and obligations as contemplated in the Service Plan and the Intergovernmental Agreement, and in light of the benefit derived by District No. 1's property owners, occupants, and taxpayers from the Facilities, District No. 1 shall be liable for a portion of the repayment of indebtedness issued by District No. 2 to finance the Facilities, as such indebtedness may from time to time be refunded and restructured; and

WHEREAS, for the purpose of financing the Facilities, District No. 2 previously issued its $15,200,000 Limited Tax Variable Rate Senior Bonds, Series 2008A; its $32,550,000 Limited Tax Variable Rate Junior Bonds, Series 2008B, which junior bonds were paid and discharged and in lieu thereof, a Limited Tax Guarantor Bond, Series 2008 was issued in the amount of $32,550,000 (the "Original Guarantor Bond"); and its Developer Subordinate Note, Series 2008D, dated December 1, 2009 (collectively, the "Prior 2008 Obligations") and, in connection therewith, District No. 1 entered into a Capital Pledge Agreement with District No. 2, pursuant to which District No. 1 obligated itself to levy certain ad valorem property taxes and pay the proceeds thereof to District No. 2 for payment of the Prior 2008 Obligations (the "2008 Capital Pledge Agreement"); and

WHEREAS, for the purpose of refunding and restructuring the Prior 2008 Obligations, District No. 2 issued its $20,300,000 Senior Limited Tax Refunding Loan, Series 2013A and its $23,760,000 Subordinate Limited Tax Revenue Refunding Bonds, Series 2013B, and the Original Guarantor Bond was reissued in the principal amount of $1,278,000 (collectively, the "2013 Obligations") and, in connection therewith, the 2008 Capital Pledge Agreement was

terminated, and District No. 1 entered into a new Capital Pledge Agreement with District No. 2, pursuant to which District No. 1 obligated itself to levy certain ad valorem property taxes and pay the proceeds thereof to District No. 2 for payment of the 2013 Obligations (the "2013 Capital Pledge Agreement"); and

WHEREAS, for the purpose of refunding and restructuring the 2013 Obligations, District No. 2 is issuing its Series 2016A Senior Bonds and Series 2016B Subordinate Bonds (the "2016 Obligations") and, in connection with such refunding transaction, District No. 1 desires to enter into a 2016 Capital Pledge Agreement with District No. 2 (the "2016 Capital Pledge Agreement") for the purpose of continuing to carry out its obligations to levy certain ad valorem property taxes and, under the circumstances described in the 2016 Capital Pledge Agreement, pay the proceeds thereof to the Senior Bond Trustee (as defined therein) for payment of the 2016 Obligations; and

WHEREAS, in connection the 2016 Obligations, the Board of Directors of District No. 1 (the "District No. 1 Board") has determined and hereby determines that it is necessary and appropriate to terminate the 2013 Capital Pledge Agreement; and

WHEREAS, concurrently with the issuance of the 2016 Obligations and the execution and delivery of the 2016 Capital Pledge Agreement, the 2013 Capital Pledge Agreement will be terminated pursuant to a Termination Agreement Relating to Capital Pledge Agreement Dated December 2, 2013 (the "Termination Agreement"); and

WHEREAS, the voted authorization obtained at District No. 1's Elections is set forth below; and

| **Voted Authorization from Elections** | |
|---|---|
| **Purpose** | **Amount** |
| Streets | $41,300,000 |
| Traffic and Safety | 1,800,000 |
| Fire Protection | 2,000,000 |
| Park and Recreation | 23,000,000 |
| Public Transportation | 39,300,000 |
| Mosquito Control | 100,000 |
| **TOTAL** | $107,500,000 |

WHEREAS, the District No. 1 Board previously determined to allocate District No. 1's indebtedness represented by the 2008 Capital Pledge Agreement in accordance with the proportion of the obligations under the 2008 Indenture actually paid by the revenue derived from imposition of District No. 1's tax levy in accordance with the 2008 Capital Pledge Agreement, and further, that the District No. 1 Board would make such allocation annually in District No. 1's audited financial statements; and

WHEREAS, the allocation of voted authorization used with respect to the 2008 Capital Pledge Agreement and the remaining voted authorization from District No. 1's Elections is set forth below:

| **Purpose** | **Allocation Under 2008 Capital Pledge Agreement** | **Voted Authorization from Elections Remaining** |
|---|---|---|
| Streets | -0- | $41,300,000 |
| Traffic and Safety | -0- | 1,800,000 |
| Fire Protection | -0- | 2,000,000 |
| Park and Recreation | -0- | 23,000,000 |
| Public Transportation | -0- | 39,300,000 |
| Mosquito Control | -0- | 100,000 |
| **TOTAL** | -0- | $107,500,000 |

WHEREAS, the District No. 1 Board previously determined to allocate District No. 1's indebtedness represented by the 2013 Capital Pledge Agreement in accordance with the proportion of the 2013 Obligations actually paid by the revenue derived from imposition of District No. 1's tax levy in accordance with the 2013 Capital Pledge Agreement, and further, that the District No. 1 Board would make such allocation annually in District No. 1's audited financial statements; and

WHEREAS, the allocation of voted authorization used with respect to the 2013 Capital Pledge Agreement and the remaining voted authorization from District No. 1's Elections is set forth below:

| **Purpose** | **Allocation Under 2013 Capital Pledge Agreement** | **Voted Authorization from Elections Remaining** |
|---|---|---|
| Streets | -0- | $41,300,000 |
| Traffic and Safety | -0- | 1,800,000 |
| Fire Protection | -0- | 2,000,000 |
| Park and Recreation | -0- | 23,000,000 |
| Public Transportation | -0- | 39,300,000 |
| Mosquito Control | -0- | 100,000 |
| **TOTAL** | -0- | $107,500,000 |

WHEREAS, the District No. 1 Board hereby determines to allocate District No. 1's indebtedness represented by the 2016 Capital Pledge Agreement in accordance with the proportion of the 2016 Obligations actually paid by the revenue derived from imposition of District No. 1's Capital Levy in accordance with the 2016 Capital Pledge Agreement, and the District No. 1 Board shall make such allocation annually in District No. 1's audited financial statements; and

WHEREAS, pursuant to Section 2 of Interpretative Order No. 06-IN-001 of the Securities Commissioner of the State of Colorado entered on November 27, 2006, neither a registration application nor notice of claim of exemption is required for a contractual obligation of the nature and kind as the 2016 Capital Pledge Agreement, and therefore, the 2016 Capital Pledge Agreement is authorized under the Colorado Municipal Bonds Supervision Act, being Title 11, Article 59, C.R.S.; and

WHEREAS, pursuant to § 32-1-902(3), C.R.S., and § 18-8-308, C.R.S., all known potential conflicting interests of the Directors were disclosed to the Colorado Secretary of State and to the District No. 1 Board in writing at least 72 hours in advance of this meeting; additionally, in accordance with § 24-18-110, C.R.S., the appropriate District No. 1 Board members have made disclosure of their personal and private interests relating to the issuance of the Series 2016A Senior Bonds in writing to the Secretary of State and the District No. 1 Board; finally, the District No. 1 Board members having such interests have stated for the record immediately prior to the adoption of this Resolution the fact that they have such interests and the summary nature of such interests and the participation of those Board members is necessary to obtain a quorum or otherwise enable the District No. 1 Board to act; and

WHEREAS, there has been presented at or prior to this meeting of the District No. 1 Board substantially final drafts of the District No. 1 Documents (defined in Section 1 below); and

WHEREAS, the District No. 1 Board desires to authorize the execution and delivery of the District No. 1 Documents and the execution, completion, and delivery of such certificates and other documents as may be necessary to effect the intent of this Resolution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF BASE VILLAGE METROPOLITAN DISTRICT NO. 1, IN THE TOWN OF SNOWMASS VILLAGE, PITKIN COUNTY, COLORADO:

**Section 1. Definitions**. The following capitalized terms shall have the respective meanings set forth below:

*"2013 Capital Pledge Agreement"* has the meaning set forth in the recitals hereof.

*"2016 Capital Pledge Agreement"* has the meaning set forth in the recitals hereof.

*"Bond Counsel"* means Kutak Rock LLP, Denver, Colorado.

*"District Counsel"* means White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado.

*"District No. 1"* has the meaning set forth in the recitals hereof.

*"District No. 2"* has the meaning set forth in the recitals hereof.

*"District No. 1 Board*" has the meaning set forth in the recitals hereof.

*"District No. 2 Board*" has the meaning set forth in the recitals hereof.

*"District No. 1 Documents"* means, collectively, the 2016 Capital Pledge Agreement and the Termination Agreement.

"*Resolution*" means this resolution which authorizes the execution, delivery, and performance of the District No. 1 Documents by District No. 1 and execution and delivery of the other documents and instruments in connection therewith.

*"Indenture"* means the Indenture of Trust dated as of December 20, 2016 between the Trustee and District No. 2, pursuant to which the Series 2016A Senior Bonds are to be issued.

*"Series 2016A Senior Bonds"* means the General Obligation Limited Tax Refunding Bonds, Series 2016A, to be issued by District No. 2 in an aggregate principal amount which, when combined with the aggregate principal amount of the Series 2016B Subordinate Bonds, shall not exceed $58,000,000.

*"Series 2016B Subordinate Bonds"* means the Subordinate General Obligation Limited Tax Refunding Bonds, Series 2016B, to be issued by District No. 2 in an aggregate principal amount which, when combined with the aggregate principal amount of the Series 2016A Senior Bonds, shall not exceed $58,000,000.

*"Supplemental Public Securities Act"* has the meaning set forth in Section 3(c) hereof.

*"Termination Agreement"* means the Termination Agreement dated as of December 20, 2016 by and between District No. 1 and District No. 2, pursuant to which the 2013 Capital Pledge Agreement is terminated.

*"Trustee"* means UMB Bank, n.a., Denver, Colorado, and its successors.

**Section 2. District No. 1 Documents: Approval, Authorization, and Amendment**. The District No. 1 Documents are incorporated herein by reference and are hereby approved. District No. 1 shall enter into and perform its obligations under the District No. 1 Documents in the form of such documents presented at or prior to this meeting, with such changes as are made pursuant to this Section 2 and are not inconsistent herewith. The President of District No. 1 is hereby authorized and directed to execute and deliver the District No. 1 Documents and the Secretary or any Assistant Secretary of District No. 1 is hereby authorized and directed to attest the District No. 1 Documents and to affix the seal of District No. 1 thereto, and any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 1 are further authorized to execute, deliver and authenticate such other documents, instruments, or certificates as are deemed necessary or desirable in order to effect the transactions contemplated under the District No. 1 Documents. The District No. 1 Documents are to be executed in substantially the form presented at or prior to this meeting of the District No. 1 Board, provided that such documents may be completed, corrected, or revised as deemed necessary or convenient and approved by District Counsel in order to carry out the purposes of this Resolution and such approval by District Counsel shall be deemed approval by the District No. 1 Board; provided, however, that District Counsel shall consult with a representative of District No. 1 in connection with such approval. To the extent any District No. 1 Document has been executed prior to the date hereof,

then said execution is hereby ratified and affirmed. Copies of all of the District No. 1 Documents shall be delivered, filed, and recorded as provided therein.

Upon execution of the District No. 1 Documents, the covenants, agreements, recitals, and representations of District No. 1 therein shall be effective with the same force and effect as if specifically set forth herein, and such covenants, agreements, recitals, and representations are hereby adopted and incorporated herein by reference.

The appropriate officers of District No. 1 are hereby authorized and directed to prepare and furnish to any interested person certified copies of all proceedings and records of District No. 1 relating to the District No. 1 Documents and such other affidavits and certificates as may be required to show the facts relating to the authorization and issuance thereof.

The execution of any District No. 1 Document by any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 1 shall be conclusive evidence of the approval by District No. 1 of such instrument in accordance with the terms thereof and hereof.

**Section 3. Findings and Declarations of the District No. 1 Board**. The District No. 1 Board, having been fully informed of and having considered all the pertinent facts and circumstances, hereby finds, determines, and declares as follows:

(a) ***2016 Capital Pledge Agreement; Termination of 2013 Capital Pledge Agreement***. The District No. 1 Board has determined that it is in the best interests of the Districts, the inhabitants and taxpayers thereof, in order to set forth the obligations of the Districts in light of the Series 2016A Senior Bonds; any obligations issued to refund the Series 2016A Senior Bonds; and debt issued on parity therewith in the future, if any; and the mill levy to be certified by District No. 1 in connection therewith, that District No. 1 enter into the 2016 Capital Pledge Agreement and, concurrently, enter into the Termination Agreement for the purpose of terminating the 2013 Capital Pledge Agreement.

(b) ***Allocation of Voted Authorization***. The District No. 1 Board hereby determines to allocate voted authorization obtained at its Elections to the 2016 Capital Pledge Agreement as set forth in the recitals hereof.

(c) ***Election to Apply Supplemental Public Securities Act***. The District No. 1 Board specifically elects to apply the provisions of Title 11, Article 57, Part 2, C.R.S. (the "Supplemental Public Securities Act"), to the 2016 Capital Pledge Agreement and its pledge of revenues thereunder.

**Section 4. Authorization**. In accordance with the Constitution of the State of Colorado; Title 32, Article 1, Part 11, C.R.S.; the Supplemental Public Securities Act; District No. 1's Elections; and all other laws of the State of Colorado thereunto enabling, District No. 1 shall enter into the 2016 Capital Pledge Agreement for the purposes set forth therein.

**Section 5. Permitted Amendments to Resolution**. Except as otherwise provided herein, District No. 1 may amend this Resolution in the same manner, and subject to the same

terms and conditions, as apply to an amendment or supplement to the 2016 Capital Pledge Agreement as provided therein.

**Section 6. Authorization to Execute Other Documents and Instruments**. Any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 1 shall, and they are hereby authorized and directed, to take all actions necessary or appropriate to effectuate the provisions of this Resolution, including, but not limited to, the execution of all documents and certificates necessary or desirable to effectuate the entering into of the 2016 Capital Pledge Agreement and the performance by District No. 1 of its obligations thereunder, the termination of the 2013 Capital Pledge Agreement, and such certificates, documents, instruments, and affidavits as may be reasonably required by Bond Counsel, the Trustee, or District Counsel. The execution by any one of the President, Treasurer, Secretary or Assistant Secretaries of District No. 1 of any document not inconsistent herewith shall be conclusive proof of the approval by District No. 1 of the terms thereof.

**Section 7. Costs and Expenses**. All costs and expenses incurred in connection with the 2016 Capital Pledge Agreement, the other District No. 1 Documents, this Resolution and the transactions contemplated thereunder and hereunder shall be paid from amounts proceeds of the Series 2016A Senior Bonds or from legally available moneys of the Districts, or from a combination thereof, and such moneys are hereby appropriated for that purpose.

**Section 8. No Recourse Against Officers and Agents**. Pursuant to § 11-57-209 of the Supplemental Public Securities Act, if a member of the District No. 1 Board, or any officer or agent of District No. 1 acts in good faith, no civil recourse shall be available against such member, officer, or agent in connection with its obligations under the District No. 1 Documents. Such recourse shall not be available either directly or indirectly through the District No. 1 Board or District No. 1, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise.

**Section 9. Limitation of Actions**. Pursuant to § 11-57-212, C.R.S., no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization or execution and delivery of any of the District No. 1 Documents shall be commenced more than thirty days after the effective date of this Resolution.

**Section 10. Ratification and Approval of Prior Actions**. All actions heretofore taken by the officers of District No. 1 and the members of the District No. 1 Board, not inconsistent with the provisions of this Resolution, relating to the execution and delivery of the District No. 1 Documents and the consummation of the transactions contemplated thereunder are hereby ratified, approved, and confirmed.

**Section 11. Resolution Irrepealable**. After the District No. 1 Documents have been executed and delivered, this Resolution shall be and remain irrepealable until such time as the 2016 Capital Pledge Agreement shall have been fully discharged pursuant to the terms thereof.

**Section 12. Repealer**. All orders, bylaws, and resolutions of District No. 1, or parts thereof, inconsistent or in conflict with this Resolution, are hereby repealed to the extent only of such inconsistency or conflict.

**Section 13. Severability**. If any section, paragraph, clause, or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution, the intent being that the same are severable.

**Section 14. Effective Date**. This Resolution shall take effect immediately upon its adoption and approval.

THIS RESOLUTION IS ADOPTED AND APPROVED this 16th day of November, 2016.

BASE VILLAGE METROPOLITAN DISTRICT NO. 1

[SEAL]

By _____
Matt Foley, President

ATTEST:

By _____
Secretary or Assistant Secretary

[Signature page to Authorizing Resolution (District No. 1)]

Thereupon, Director _____ moved for the adoption of the foregoing resolution. The motion to adopt the resolution was duly seconded by Director _____, put to a vote, and carried on the following recorded vote:

Those voting AYE:

Those voting NAY:

Those abstaining:

Those absent:

Thereupon the President, as Chairman of the meeting, declared the Resolution duly adopted and agreed to duly and properly enter the foregoing proceedings and resolution upon the minutes of the District No. 1 Board.

Thereupon, after consideration of other business before the District No. 1 Board, the meeting was adjourned.

STATE OF COLORADO )
COUNTY OF PITKIN, TOWN OF SNOWMASS VILLAGE ) ss.
BASE VILLAGE )
METROPOLITAN DISTRICT NO. 1 )

I, _____, Secretary or Assistant Secretary of Base Village Metropolitan District No. 1, in the Town of Snowmass Village, Pitkin County, Colorado ("District No. 1"), do hereby certify that the foregoing pages numbered (i) through (iii) and 1 through 10 inclusive, constitute a true and correct copy of that portion of the record of proceedings of the Board of Directors of District No. 1 (the "District No. 1 Board") relating to the adoption of a resolution authorizing District No. 1 to enter into a 2016 Capital Pledge Agreement in connection with the Series 2016A Senior Bonds to be issued by District No. 2, and to execute, deliver and perform its obligations thereunder and authorizing other documents and matters in connection therewith, adopted at a joint special meeting of the Boards of Directors of District No. 1 and District No. 2 held on Wednesday, the 16th day of November, 2016, at the hour of 11:00 a.m., at 110 Carriage Way, Snowmass Village, Colorado, as recorded in the official record of proceedings of District No. 1 kept in my office; that the proceedings were duly had and taken; that the meeting was duly held; that the persons therein named were present at said meeting and voted as shown therein; and that a notice of meeting, in the form herein set forth at page (i), was posted at three public places within District No. 1, and at the office of the Clerk and Recorder of Pitkin County, Colorado, at least seventy-two hours prior to the meeting, in accordance with law.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of District No. 1, this _____ day of November, 2016.

_____
Secretary or Assistant Secretary

SEAL

**DRAFT #3 – 11/11/16**

**PRELIMINARY LIMITED OFFERING MEMORANDUM DATED NOVEMBER 28, 2016**

**NEW ISSUE** **NOT RATED**
**BOOK-ENTRY ONLY**

*In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond counsel is also of the opinion that, under existing State of Colorado statutes, to the extent interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. For a more complete description of such opinions of Bond Counsel, see "TAX MATTERS" herein.*

# $31,715,000*
# BASE VILLAGE METROPOLITAN DISTRICT NO. 2
# (IN THE TOWN OF SNOWMASS VILLAGE, COLORADO)
# GENERAL OBLIGATION LIMITED TAX
# REFUNDING BONDS
# SERIES 2016A

The Base Village Metropolitan District No. 2 General Obligation Limited Tax Refunding Bonds, Series 2016A (the "Bonds") are issued as fully registered bonds in denominations of $500,000 or any integral multiple of $1,000 in excess thereof, pursuant to an Indenture of Trust (the "Indenture") between Base Village Metropolitan District No. 2 (the "District") and UMB Bank, n.a., Denver, Colorado, as trustee (the "Trustee"). The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See "THE BONDS – Book-Entry Only System."

The Bonds bear interest at the rate set forth below, payable semiannually on June 1 and December 1 of each year, commencing June 1, 2017, to and including the maturity date(s) shown below, unless the Bonds are redeemed earlier, by check or draft mailed to the registered owner of the Bonds, initially Cede & Co. The principal of and premium, if any, on the Bonds will be payable upon presentation and surrender at the Trustee, as the paying agent for the Bonds. See "THE BONDS."

## MATURITY SCHEDULE*

$_____ % Term Bonds Due December 1, 20__ - Yield: _____% (CUSIP Number: † _____)
$_____ % Term Bonds Due December 1, 20__ - Yield: _____% (CUSIP Number: † _____)

**Dated: Date of Delivery**

**INVESTMENT IN THE BONDS INVOLVES RISK. THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE ISSUE. POTENTIAL INVESTORS SHOULD READ THIS ENTIRE LIMITED OFFERING MEMORANDUM TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION, AND SHOULD GIVE PARTICULAR ATTENTION TO THE SECTION ENTITLED "RISK FACTORS." THE BONDS ARE NOT APPROPRIATE FOR ALL**

* Preliminary; subject to change.

**INVESTORS, AND ARE BEING OFFERED AND SOLD ONLY TO "FINANCIAL INSTITUTIONS AND INSTITUTIONAL INVESTORS" AS DEFINED IN SECTION 32-1-103(6.5), COLORADO REVISED STATUTES.**

The Bonds constitute limited tax general obligations of the District payable solely from and to the extent of the Pledged Revenue, which is defined as, generally, ad valorem property taxes from the Required Mill Levy (defined herein) imposed by the District; Specific Ownership Tax Revenue (defined herein); Capital Facility Fee Revenue (defined herein) and Capital Levy Revenue (defined herein), consisting of ad valorem property taxes from the Capital Levy (defined herein) imposed by Base Village Metropolitan District No. 1 ("District No. 1") in the event of a Shortfall (defined herein) pursuant to the Capital Pledge Agreement (defined herein). The Bonds are additionally secured by the Reserve Fund, which will initially be funded in the amount of $646,000* by amounts in the Surplus Fund, which will initially be funded in the amount of $1,860,000* and by the Supplemental Fund, which will initially be funded in the amount of $9,000,000* but is subject to release if certain development occurs. See "SECURITY FOR THE BONDS." The Bonds are not obligations of the Town of Snowmass Village, Pitkin County or the State of Colorado.

The Bonds are subject to redemption prior to maturity at the option of the District, to mandatory sinking fund redemption and to mandatory excess funds redemption under certain circumstances set forth in the Indenture. See "THE BONDS – Prior Redemption."

Proceeds of the Bonds and a prior reserve fund will be used to: (i) refund the Refunded Bonds (defined herein); (ii) fund the Reserve Fund; (iii) partially fund the Surplus Fund; and (iv) pay the costs of issuing the Bonds. See "USES OF PROCEEDS."

**This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Limited Offering Memorandum to obtain information essential to making an informed investment decision, giving particular attention to the section entitled "RISK FACTORS."**

The Bonds are offered when, as, and if issued by the District and accepted by the Underwriter subject to the approval of legality of the Bonds by Kutak Rock, LLP, Denver, Colorado, Bond Counsel, and the satisfaction of certain other conditions. Sherman & Howard L.L.C. has acted as Underwriter's counsel. Certain legal matters will be passed upon for the Districts by their general counsel, White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado. North Slope Capital Advisors, Denver, Colorado, has acted as Municipal Advisor to the District. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about December 20,* 2016.

**D.A. DAVIDSON LOGO**

This Limited Offering Memorandum is dated November __, 2016.

RED HERRING: This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Limited Offering Memorandum is delivered in final form. Under no circumstances shall this Preliminary Limited Offering Memorandum constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

* Preliminary; subject to change.

## USE OF INFORMATION IN THIS LIMITED OFFERING MEMORANDUM

This Limited Offering Memorandum, which includes the cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Limited Offering Memorandum in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the District or the Underwriter.

The information set forth in this Limited Offering Memorandum has been obtained from the District, from the sources referenced throughout this Limited Offering Memorandum and from other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information received from parties other than the District. The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Limited Offering Memorandum but does not guarantee its accuracy or completeness. This Limited Offering Memorandum contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The information, estimates, and expressions of opinion contained in this Limited Offering Memorandum are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the District, or in the information, estimates, or opinions set forth herein, since the date of this Limited Offering Memorandum.

This Limited Offering Memorandum has been prepared only in connection with the original offering of the Bonds and may not be reproduced or used in whole or in part for any other purpose.

The Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the District, the Bonds and the terms of the offering, including the merits and risks involved. The Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE BONDS, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**Base Village Metropolitan District No. 2**
**(In the Town of Snowmass Village, Colorado)**

## Board of Directors

Matt Foley, President
Leticia Hanke, Treasurer
Steve Sewell, Secretary
James D'Agostino, Assistant Secretary
Craig Monzio, Assistant Secretary

## Municipal Advisor to the District

North Slope Capital Advisors
Denver, Colorado

## Trustee, Registrar and Paying Agent

UMB Bank, n.a.
Denver, Colorado

## General Counsel

White Bear Ankele Tanaka & Waldron Professional Corporation
Centennial, Colorado

## Bond Counsel

Kutak Rock, LLP
Denver, Colorado

## Underwriter's Counsel

Sherman & Howard L.L.C.
Denver, Colorado

## Underwriter

D.A. Davidson & Co.
Denver, Colorado

TABLE OF CONTENTS

## INDEX OF TABLES

NOTE: Tables marked with an (*) indicate information to be updated pursuant to the Continuing Disclosure Agreement. See "INTRODUCTION – Continuing Disclosure Undertaking" and Appendix F.



(1) Only those portions of the table involving the direct debt of the Districts are subject to the continuing disclosure undertaking.

**MAP OF DISTRICT NO. 1**

**MAP OF DISTRICT NO. 2**

## AERIAL PHOTOGRAPH

# LIMITED OFFERING MEMORANDUM

**$31,715,000***
**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**
**(IN THE TOWN OF SNOWMASS VILLAGE, COLORADO)**
**GENERAL OBLIGATION**
**LIMITED TAX REFUNDING BONDS**
**SERIES 2016A**

## INTRODUCTION

### General

This Limited Offering Memorandum, which includes the cover page and the appendices, provides information in connection with the offer and sale of the Base Village Metropolitan District No. 2 General Obligation Limited Tax Refunding Bonds, Series 2016A (the "Bonds"), to be issued by Base Village Metropolitan District No. 2 (the "District" or "District No. 2"), a political subdivision of the State of Colorado (the "State"), in the total aggregate principal amount of $31,715,000.*

The Bonds will be issued pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") prior to the issuance of the Bonds. The Bonds will also be issued pursuant to an Indenture of Trust between the District and UMB Bank, n.a., Denver, Colorado, as trustee (the "Trustee"), dated as of December 20,* 2016 (the "Indenture"). The Districts (defined below) will also execute and deliver a Capital Pledge Agreement dated as of December 20,* 2016 (the "Capital Pledge Agreement") in connection with the issuance of the Bonds.

The offering of the Bonds is made only by way of this Limited Offering Memorandum, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. The following introductory material is only a brief description of and is qualified by the more complete information contained throughout this Limited Offering Memorandum. A full review should be made of the entire Limited Offering Memorandum and the documents summarized or described herein, particularly the section entitled "RISK FACTORS." Detachment or other use of this "INTRODUCTION" without the entire Limited Offering Memorandum, including the cover page and appendices, is unauthorized. Undefined capitalized terms have the meanings given in the Indenture.

*Subject to change.

## The Districts

General. The District and Base Village Metropolitan District No. 1 ("District No. 1") are special districts formed pursuant to Title 32, Article 1, Colorado Revised Statutes ("C.R.S.") (the "Special District Act"). The District and District No. 1 are referred to herein together as the "Districts." Each of the Districts was formed on December 10, 2004, pursuant to an Order and Decree of the Pitkin County District Court. Formation of the Districts was preceded by the approval by the Town of Snowmass Village (the "Town") of a Service Plan dated September 1, 2004, as amended and restated on October 17, 2006 (as amended and restated, the "Service Plan").

The Districts together contain approximately 30 acres of property within the Town, approximately 19 acres of which consists of the site of the "Base Village" development in the Town ("Base Village" or the "Development"). District No. 1 consists solely of commercial condominium units in the Development, and District No. 2 consists of approximately 30 acres of property and buildings, minus the commercial condominium units which are within District No. 1. The remaining approximately 11 acres of property in District No. 2 are owned by the Town (which owns approximately 9 acres of nondevelopable wetlands) and by Brush Creek Land Company, LLC, an affiliate of Aspen Skiing Company, which itself is a member of the Developer (this entity owns approximately 2 acres of noncontiguous developable property referred to herein as the Fanny Hill Site).

Since the formation of the Districts, District No. 2 has issued debt to finance the construction of various public improvements described herein, and District No. 1 has agreed to impose taxes to assist with the payment of this debt. In addition, District No. 1 owns and operates the Conference Center (as defined herein). District No. 1 also operates a portion of the Main Parking Garage (defined herein) for use as public parking and operates the Transit Center in the Main Parking Garage. District No. 1 currently performs management functions for both Districts pursuant to the Master District IGA (through the date of issuance of the Bonds) and is expected to continue to perform such functions pursuant to the Operations Agreement (after the date of issuance of the Bonds). See "THE DISTRICTS – Agreements of the Districts – Operations Agreement."

Description, Location and Maps. The Development is located in the Town at the base of Snowmass Ski Resort ("Snowmass"). The Town is located in the western part of the State of Colorado (the "State") approximately eight miles west of Aspen, Colorado and approximately 170 miles southwest of Denver, Colorado. The population of the Town was 2,863 as of July 2015. See **MAP OF DISTRICT NO. 1**, **MAP OF DISTRICT NO. 2** and **AERIAL PHOTOGRAPH** on pages vi-viii.

Assessed Valuation of the District and District No. 1. The 2016 preliminary certified assessed valuation of the property within the District (as of August 25, 2016, and subject to change on or before December 10, 2016) is $36,709,830 and within District No. 1 is $2,580,880, for a total 2016 preliminary certified assessed valuation of the property within the Districts (as of August 25, 2016, and subject to change on or before December 10, 2016) of $39,290,710. See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Tax Data."

**The Development**

Base Village. The Development consists of the Base Village development in the Town. Base Village is located at the base of Snowmass at the bottom of the Fanny Hill and Assay Hill ski runs and at the base of the Assay Hill Chairlift, the Village Express Chairlift, the Elk Camp Gondola and the Sky Cab Gondola. Base Village is planned to contain a total of approximately 1,094,131 square feet, including approximately 685,451 square feet of market-rate condominium development (containing a total of approximately 504 units), approximately 22,069 square feet of employee housing units (containing a total of approximately 28 units) and approximately 183,216 square feet of commercial (retail, restaurant and office) development. An additional approximately 203,369 square feet is planned to consist of common areas located in the various buildings. The Development is planned to include five underground parking garages totaling approximately 1,021 spaces.

Development began in 2006 but was discontinued in 2009. Between 2006 and 2009, seven buildings were completed, totaling approximately 430,487 square feet of residential and commercial development, or approximately 39.3% of the total planned square feet of development (the "Completed Buildings"). In addition, two of the planned five underground parking garages were constructed, consisting of the 614-space Main Parking Garage (defined herein) and the 200-space Building 13AB Parking Garage (defined herein). Finally, between 2006 and 2009, construction was commenced (but not completed) on six additional buildings (the "Partially Completed Buildings"). In addition to the seven Completed Buildings and the six Partially Completed Buildings, the Development plan includes four additional buildings (the "Remaining Planned Buildings"), for a total of 17 planned buildings. *No construction activity has occurred since 2009.* See "THE DEVELOPMENT."

There is no assurance that construction of the Development will be completed as currently planned. See "RISK FACTORS." The Prior Developer has received Town approvals for the completion of the Partially Completed Buildings and for the construction of the Remaining Planned Buildings and other remaining portions of the Development; provided, however, that approval for certain future construction is conditioned upon certain events which have not yet occurred. See "THE DEVELOPMENT – Land Entitlements and Public Approvals."

Fanny Hill Site. The District includes a 1.9 acre parcel which is not contiguous with the Development and is not a part of the Development, located several hundred feet west of the Development adjacent to the Fanny Hill ski run (the "Fanny Hill Site"). The Fanny Hill Site is owned by Brush Creek Land Company, LLC, an affiliate of Aspen Skiing Company. Aspen Skiing Company is one of the members of the Developer. The Developer currently holds an option to purchase the Fanny Hill Site. The Fanny Hill Site is currently vacant. See "THE DEVELOPMENT – Fanny Hill Site."

Development History; Pending Acquisition by Snowmass Ventures, LLC. The concept of Base Village was first announced in 2002, when Aspen Skiing Company began a partnership with Intrawest to develop a new base village at Snowmass. Construction began in 2006. After additional changes in ownership related to the foreclosure of the Development during the recent recession, Snowmass Acquisition Company LLC (the "Prior Developer"), an

affiliate of the Related Companies, a New York real estate company, acquired the Development in 2012. On September 22, 2016, the Prior Developer entered into a purchase and sale contract (the "Purchase Agreement") with East West Partners, Inc., a Colorado corporation ("East West") for the sale (the "Sale") of the Prior Developer's Interest (defined below). East West has announced that it has formed a joint venture with an affiliate of Aspen Skiing Company and an affiliate of KSL Capital Partners to acquire the Prior Developer's Interest. The joint venture is Snowmass Ventures, LLC (the "Developer"). East West plans to assign its interest in the Purchase Agreement to the Developer. The "Prior Developer's Interest" consists generally of the commercial condominium units in the Completed Buildings, the Partially Completed Buildings, the remaining undeveloped property which comprise the sites of the Remaining Planned Buildings and 66 completed residential condominium units in Building 13A. The Prior Developer and the Developer are currently in the process of satisfying closing conditions to the Purchase Agreement. The sale is expected by the Prior Developer and the Developer to close into escrow on approximately December 5, 2016. The closing of this sale is a condition to the release of the escrow sale of the Bonds. The purchase price under the Purchase Agreement is $59,500,000. See "THE DEVELOPMENT – General Description – History and Ownership" and "THE DEVELOPMENT – The Developer."

**Security for the Bonds**

General. The Bonds constitute limited tax general obligations of the District payable solely from and to the extent of the Pledged Revenue. The primary component of the Pledged Revenue is expected to be ad valorem property tax revenues imposed and collected by the District and pledged to the payment of the Bonds pursuant to the Indenture. The amount of the District's mill levy which is pledged to the Bonds varies depending upon the level of current revenues and expenditures at the time the mill levy is imposed. See "Pledged Revenue and the Required Mill Levy" below, and "SECURITY FOR THE BONDS – Levels." Under certain circumstances described herein, District No. 1 is also obligated to impose and collect ad valorem property taxes to support the payment of the Bonds. Payment of the principal of and interest on the Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the Districts. See "SECURITY FOR THE BONDS."

The Bonds are additionally secured by the Reserve Fund, which will initially be funded in the amount of $646,000,* by the Surplus Fund, which will initially be funded in the amount of $1,860,000* and will be funded in the future with excess Pledged Revenue, if any, and by the Supplemental Fund, which will be funded in the amount of $9,000,000* but is subject to release as development occurs. See "SECURITY FOR THE BONDS – Funds and Accounts." The Pledged Revenue may or may not be sufficient to pay the principal of and interest on the Bonds. *No representation is made by the District or the Underwriter that the Pledged Revenue, amounts on deposit in the Reserve Fund, the Surplus Fund, or the Supplemental Fund, if any, will be sufficient to pay the principal of and interest on the Bonds. See "RISK FACTORS," "SECURITY FOR THE BONDS" and "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT."*

* Subject to change.

Pledged Revenue and the Required Mill Levy. "Pledged Revenue" is defined in the Indenture as (a) the Required Mill Levy; (b) the Specific Ownership Tax Revenue; (c) the Capital Facility Fee Revenue; (d) the Capital Levy Revenue (from which Shortfalls shall be paid); and (e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Trustee for application as Pledged Revenue.

"Required Mill Levy" is generally defined in the Indenture as (a) during a Level A Period, Level B Period, Level C Period, and Level D Period (all as defined herein), an ad valorem mill levy imposed upon all taxable property of the District each year equal to 37.5 mills, subject to adjustment as described herein; and (b) during a Level E Period and Level F Period, an ad valorem mill levy imposed upon all taxable property of the District each year equal to 43.5 mills, subject to adjustment as described herein. The foregoing Levels are described and defined in "SECURITY FOR THE BONDS – Levels."

"Specific Ownership Tax Revenue" is defined as the specific ownership taxes collected by the county and remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute allocable to the imposition by the District of the Required Mill Levy.

"Capital Facility Fee Revenue" is defined as the revenue derived by the District from imposition and collection of the Capital Facility Fees. "Capital Facility Fees" are defined, generally, as a one-time fee imposed by the District in the amount of $5,150 per residential dwelling unit at the time of initial sale of the unit.

"Capital Levy Revenue" is defined as the sum of the tax revenue from the Capital Levy plus the Specific Ownership Tax Revenue applicable such Capital Levy, less costs of collection. "Capital Levy" is defined as an ad valorem mill levy imposed upon all taxable property of District No. 1 each year in the number of mills necessary to produce Capital Levy Revenue in an amount at least equal to the amount of the applicable Shortfall, but such mill levy shall not exceed 43.5 mills, subject to adjustment. "Shortfall" is defined and described in "SECURITY FOR THE BONDS – Capital Levy Revenue" and Appendix H.

Limited Tax Pledge. The Required Mill Levy and the Capital Levy are limited to certain maximum mill levies described in the Indenture and the Capital Pledge Agreement, respectively. Neither District is obligated to impose an unlimited mill levy to pay debt service on the Bonds. See "SECURITY FOR THE BONDS – The Required Mill Levy" and " – Capital Levy Revenue." In the event that the Pledged Revenue is insufficient to pay the Bonds when due, the unpaid principal will continue to bear interest and the unpaid interest will compound semi-annually at the rate then borne by the Bonds until the total repayment obligation of the District for the Bonds equals the amount permitted by law. *During this period of accrual, the District will not be in default on the payment of such principal and interest, and the Owners will have no recourse against the District or District No. 1 to require such payments (other than to require the District to continue to impose the Required Mill Levy and collect the Pledged Revenue as provided in the Indenture and to require District No. 1 to continue to impose the Capital Levy pursuant to the Capital Pledge Agreement).* In addition, the District will not be liable to Owners for unpaid principal and interest beyond the amount permitted by law, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount.

**Purpose**

Proceeds of the Bonds and a prior reserve fund will be used to: (i) refund the Refunded Bonds (defined herein); (ii) fund the Reserve Fund; (iii) partially fund the Surplus Fund; and (iv) pay the costs of issuing the Bonds. See "USES OF PROCEEDS."

**The Bonds; Prior Redemption**

The Bonds are issued solely as fully registered certificates in the denomination of $500,000 or any integral multiple of $1,000 in excess thereof. The Bonds mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the cover page hereof. The payment of principal and interest on the Bonds is described in "THE BONDS – Payment of Principal and Interest; Record Date." The Bonds are subject to redemption prior to maturity at the option of the District, to mandatory sinking fund redemption and to mandatory excess funds redemption, as more particularly described in "THE BONDS – Prior Redemption."

**Authority for Issuance**

The Bonds are issued in full conformity with the constitution and laws of the State, particularly the Special District Act and Title 11, Article 57, Part 2, C.R.S. (the "Supplemental Public Securities Act"), and pursuant to the Bond Resolution, the District No. 2 Elections (defined herein) and the Indenture.

**Book-Entry Registration**

The Bonds initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), the securities depository for the Bonds. Purchases of Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See "THE BONDS – Book-Entry Only System" and Appendix E.

**Tax Status**

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond counsel is also of the opinion that, under existing State of Colorado statutes, to the extent interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. For a more complete description of such opinions of Bond Counsel, see "TAX MATTERS" herein.

**Professionals**

Kutak Rock, LLP, Denver, Colorado, is acting as Bond Counsel. D.A. Davidson & Co., Denver, Colorado will act as the underwriter for the Bonds (the "Underwriter"). See "UNDERWRITING." Sherman & Howard L.L.C., Denver, Colorado, is acting as counsel to the Underwriter. White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado, represents the Districts as general counsel. Davis, Graham & Stubbs LLP, Denver, Colorado, represents the Developer in connection with the Sale and the issuance of the Bonds. UMB Bank, n.a., Denver, Colorado will act as the trustee, paying agent and registrar for the Bonds (collectively, the "Trustee"). The Districts' general purpose financial statements have been audited by Wagner Barnes & Griggs, P.C., Certified Public Accountants, Lakewood, Colorado, to the extent and for the period indicated in their reports thereon.

**Continuing Disclosure Undertaking**

Although the Underwriter has determined that the Bonds are exempt from the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, section 240.15c2-12) (the "Rule") because the Bonds are issued in denominations of at least $100,000 and will be sold to 35 or fewer sophisticated investors, the District and the Developer have agreed, pursuant to the provisions of the Continuing Disclosure Agreement dated as of the date of delivery of the Bonds (the "Continuing Disclosure Agreement"), to provide certain information to the Trustee on a quarterly basis for dissemination to the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access ("EMMA") and to provide the Trustee with notice of certain material events for filing with EMMA. The form of the Continuing Disclosure Agreement is attached hereto as Appendix F. Neither of the Districts have previously been parties to any continuing disclosure obligations.

**Delivery Information**

The Bonds are offered when, as, and if issued by the District and accepted by the Underwriter, subject to: prior sale, the approving legal opinion of Bond Counsel (the form of which is attached hereto as Appendix I), and certain other matters. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about December 20, * 2016.

**Additional Information**

All references herein to the Indenture, Bond Resolution, and other documents are qualified in their entirety by reference to such documents. Additional information and copies of the documents referred to herein are available from the following sources, as applicable:

* Subject to change.

Base Village Metropolitan District No. 2
c/o White Bear Ankele Tanaka & Waldron
Professional Corporation
2154 E. Commons Avenue, Suite 2000
Centennial, Colorado 80122
Telephone: (303) 858-1800

D.A. Davidson & Co.
1550 Market Street, Suite 300
Denver, Colorado 80202
Telephone: (303) 764-6000

## FORWARD-LOOKING STATEMENTS

This Limited Offering Memorandum, including but not limited to the Market Analysis (defined herein) attached as Appendix C, the Cash Flow Forecast (defined herein) attached as Appendix D and the information in "RISK FACTORS," contains statements relating to future results that are "forward-looking statements." When used in this Limited Offering Memorandum, the words "estimate," "intend," "expect," "anticipate," "plan," and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statement will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. For a discussion of certain of such risks, see the following section, "RISK FACTORS." The Market Analysis and the Cash Flow Forecast contain additional assumptions and projections which should be reviewed. See "RISK FACTORS – Risks Related to the Forecasts" and Appendices C and D.

## RISK FACTORS

Each prospective purchaser of the Bonds should consider carefully, along with other matters referred to herein, the following risks of investment. The ability of the District to pay the Bonds is subject to various risks and uncertainties which are discussed throughout this Limited Offering Memorandum. Certain of such investment considerations are set forth below. This section of this Limited Offering Memorandum does not purport to summarize all of the risks. Investors should read this Limited Offering Memorandum in its entirety.

**The Bonds are offered only to financial institutions and institutional investors in minimum denominations of $500,000, will not receive a credit rating from any source, and are not suitable investments for all investors. Each prospective purchaser is responsible for assessing the merits and risks of an investment in the Bonds and must be able to bear the economic risk of such investment in the Bonds. By purchasing the Bonds, each purchaser represents that it is a financial institution or an institutional investor with sufficient knowledge and experience in financial and business matters, including the purchase and ownership of tax-exempt obligations, to be able to evaluate the merits and risks of an investment in the Bonds.**

### Limited Security

General. The Bonds are general obligation limited tax bonds of the District

payable solely from the Pledged Revenue as described herein. The security for the payment of the Bonds is generally dependent upon the generation of property tax and specific ownership tax revenues derived from the District's imposition of the Required Mill Levy under the Indenture and District No. 1's imposition of the Capital Levy under the Capital Pledge Agreement in the event of a Shortfall Amount. The Bonds are not obligations of the Town, the County or the State. Payment of the principal of and interest on the Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the Districts.

The Bonds are additionally secured by the Reserve Fund which will be initially funded in the amount of $646,000* and by the Surplus Fund, which will be initially funded in the amount of $1,860,000* and will be funded annually with excess Pledged Revenue, if any, until the Maximum Surplus Amount ($2,000,000*) is met and thereafter if necessary to replenish the Surplus Fund to the Maximum Surplus Amount. The Bonds are further secured by the Supplemental Fund, which will be funded in the amount of $9,000,000* but is subject to release if certain development occurs. See "SECURITY FOR THE BONDS – Funds and Accounts."

*The Pledged Revenue may or may not be sufficient to pay the principal of and interest on the Bonds. No representation is made by the District or the Underwriter that the Pledged Revenue, amounts on deposit in the Reserve Fund, the Surplus Fund, or the Supplemental Fund, if any, will be sufficient to pay the principal of and interest on the Bonds.*

Limited Tax Pledge of the Districts. **The Required Mill Levy of District No. 2 under the Indenture is limited to a maximum of 43.5 mills (subject to adjustment as provided in the Indenture). The Capital Levy of District No. 1 under the Capital Pledge Agreement is also limited to a maximum of 43.5 mills (subject to adjustment as provided in the Capital Pledge Agreement).** To the extent interest on any Bond is not paid when due, such interest is to compound annually on each interest payment date for the Bonds, at the rate then borne by the Bonds; provided, however, that, notwithstanding anything in the Indenture to the contrary, the District is not required to be obligated to pay more than the amount permitted by law and the District No. 2 Elections in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount, and District No. 1 is not required to be obligated to pay more than the amount permitted by law and the District No. 1 Elections in repayment of its obligations under the Capital Pledge Agreement. *During this period of accrual, the District will not be in default on the payment of such principal and interest, and the Owners will have no recourse against the District to require such payments (other than to require the District to continue to impose the Required Mill Levy and apply the other Pledged Revenue as set forth in the Indenture and to require District No. 1 to continue to impose the Capital Levy as set forth in the Capital Pledge Agreement).*

* Subject to change.

**Risks Related to Property Tax Revenues**

Generally. The level of property tax revenues generated by the District's imposition of the Required Mill Levy and by District No. 1's imposition of the Capital Levy depends upon the assessed valuation of the property within each District and their ability to collect property taxes. The primary source of security for the Bonds is expected to be property taxes imposed by the Districts. This section describes certain risks related to such property tax revenues.

Valuation and Uses of Property. The assessed value of property in the Districts for ad valorem property tax purposes is determined according to a procedure described under "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes." Assessed valuations may be affected by a number of factors beyond the control of the Districts. Assessed valuations are subject to decrease due to local, regional and/or national market conditions. Property owners are entitled to challenge the valuations of their property. No assurance can be given that owners of property in the Districts will not seek to do so. Further, property used for tax-exempt purposes may not be subject to taxation by the Districts, and property owners are not prohibited from selling property to tax-exempt purchasers. Finally, it is possible that some or all of the property in the Districts could be condemned for public use, in which case it may no longer be subject to taxation by the Districts.

Resort Community Risks; Prior Declines in the Town's Assessed Value. The Districts are located in the resort community of Snowmass, Colorado. The economy of Snowmass and the Roaring Fork Valley (which also contains Aspen) depends heavily upon the tourism and resort industry, particularly skiing, golf and other forms of recreation, and the real estate, retail sales, restaurant and lodging businesses. The residential condominiums in the District are primarily vacation homes or investment properties used as short- or long-term rentals, and the commercial property in the Districts consists entirely of retail, restaurant and real estate businesses. In addition, a hotel is planned to be constructed within the Districts. Accordingly, the Snowmass economy, and therefore the Districts' assessed values, are particularly susceptible to local, regional, national and international economic conditions, and are also impacted by the cost, accessibility, and continued desirability of recreational facilities and amenities that Snowmass and Aspen offer, among other factors. See "THE DEVELOPMENT" and "ECONOMIC AND DEMOGRAPHIC INFORMATION." From levy year 2010 to levy year 2011, during the recession, the assessed valuation of the property in the entire Town decreased 26.4%. From levy year 2011 to levy year 2016, it has decreased an additional 4.8%. There is no assurance that another large decline in the assessed valuation of the property in the Town (including the Districts) will not occur in the future. Developments such as Base Village may be particularly susceptible to changes in assessed valuation, both positive and negative. See "Risks Related to the Projections," below and Appendix D. Future assessed values which are lower than forecasted could materially impact the ability of the District to pay debt service on the Bonds.

In addition, the economy of the Town, and therefore the economic success of the Development, is closely tied to the Snowmass Ski Resort and its ability to operate and successfully attract skiers and summer guests. Snowmass Ski Resort is operated on land owned by the United States of America and managed by the U.S. Forest Service. The U.S. Forest

Service allows the Snowmass Ski Resort to operate pursuant to a Special Use Permit which was issued in 1995 and expires on December 31, 2034, prior to the final maturity date of the Bonds. Although Aspen Skiing Company has maintained valid permits for Snowmass Ski Resort since it opened in 1967, there is no guarantee the permit will be renewed. Further, although Snowmass Ski Resort and surrounding area receive numerous summer visitors, the winter skiing season is the primary tourist season. There is no guarantee that climate change or other environmental factors will not cause the ski season to be shortened or terminated entirely. Any of these events would be expected to have an adverse impact on the future assessed valuation of the property in the Districts.

Should any of these events result in lower assessed valuations of property in the Districts, the security for the Bonds would be diminished, increasing the risk of nonpayment. Regardless of the level at which property is assessed for tax purposes, each District's ability to enforce and collect the property tax is dependent upon the property in the relevant District having sufficient fair market value to support the taxes which are imposed. No assurance can be given as to the future market values of property in the Districts.

Dependence Upon Timely Payment of Property Tax; Tax Collections. Delinquency in the payment of property taxes by property owners within the Districts would impair the District's ability to meet its debt service requirements on the Bonds in a timely manner. Property taxes do not constitute personal obligations of a property owner. While the current year's taxes constitute a lien upon assessed property and the county treasurer of Pitkin County is required by statute to offer for sale delinquent property to satisfy the Districts' tax lien for the year in which the taxes are in default, this remedy can be time-consuming. Furthermore, any such tax sale would be only for the amount of taxes due and unpaid for the particular tax year in question. In addition, the Districts' ability to enforce tax liens could be delayed by bankruptcy laws and other laws affecting creditor's rights generally. During the pendency of any bankruptcy of any property owner, the parcels owned by such property owner could be sold only if the bankruptcy court approves the sale. No assurance is provided that property taxes would be paid during the pendency of any bankruptcy; nor is it possible to predict the timeliness of such payment. If the property taxes are not paid over a period of years, the District's ability to pay principal and interest on the Bonds could be materially adversely affected.

**Concentration of Taxpayers**

The largest taxpayer within the District is Snowmass Acquisition Company LLC (also referred to herein as the Prior Developer), which owns 60.27% of the estimated current assessed valuation of the property in the District. The largest taxpayer within District No. 1 is also Snowmass Acquisition Company LLC, which owns 77.02% of the estimated current assessed valuation of the property in District No. 1 (all values are based upon the preliminary 2016 assessed value as of August 25, 2016, and subject to change on or before December 10, 2016). See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Tax Data." The Prior Developer's Interest in the property in the Districts is currently under contract to be acquired by the Developer. See "THE DEVELOPMENT – General Description – History and Ownership" and "THE DEVELOPMENT – The Developer." A high percentage of the taxable property in both Districts, therefore, is concentrated in only one taxpayer. The second highest taxpayer is Aspen

Skiing Company, which owns 17.57% and 6.42%, respectively, of the property in District No. 1 and the District.

No representation is made about the financial condition or stability of the Developer or Aspen Skiing Company, their affiliated entities or any other property owners or their ability to pay property taxes levied on their properties within the Districts. Property taxes on land are not personal obligations of the owners of property within the Districts, and the property owners within the Districts have not guaranteed the payment of the principal of or interest on the Bonds. Should adverse economic conditions or other factors negatively impact the ability of taxpayers in the Districts to pay property taxes levied by the applicable District, the security for the Bonds would be diminished, increasing the risk of nonpayment.

**Risks Related to the Projections**

The District has retained RCLCO, Bethesda, Maryland ("RCLCO"), to prepare a "Market Analysis for Future Development at Snowmass Base Village" dated November [10], 2016 (the "Market Analysis"), and has retained its accountants, CliftonLarsonAllen LLP, Certified Public Accountants, Greenwood Village, Colorado ("Clifton") to prepare a "Forecasted Surplus Cash Balances and Cash Receipts and Disbursements" report dated as of November [28], 2016 (the "Cash Flow Forecast").

Market Analysis. The Market Analysis is attached hereto as Appendix C, and should be read in its entirety. The primary purpose of the Market Analysis is to provide the District with an overview of the local market economy and the competitive market area of the Development and to provide RCLCO's conclusions about the marketability, competitive positioning, product mix and absorption levels that should be achievable within the Development. The Market Analysis is dated November [10], 2016, and has not been reviewed or updated by RCLCO since that date. It is possible that conditions have changed in the District since the date of the report which would cause RCLCO to change the Market Analysis. ***The Market Analysis is based on key assumptions made by RCLCO and, like any forecast, is inherently subject to variations in the assumed data. Actual results will vary from those projected, and such variations may be material. See "FORWARD-LOOKING STATEMENTS."***

Cash Flow Forecast. The Cash Flow Forecast is attached hereto as Appendix D, and should be read in its entirety. In the Cash Flow Forecast, Clifton has used the results of the Market Analysis and certain other assumptions to estimate the Pledged Revenue available each year that the Bonds are expected to be outstanding, and has compared such projections with the debt service on the Bonds. The Cash Flow Forecast includes an alternative scenario in Note 13 thereof in which the growth assumptions described in the primary forecast have been slowed, as further described in the Cash Flow Forecast. These alternative scenarios are explained in Notes 11 and 12 of the Cash Flow Forecast. Clifton also serves as the District's accountants and is not independent with respect to the District. ***The Cash Flow Forecast is based on the Market Analysis and certain assumptions described in the Cash Flow Forecast and, like any forecast, is inherently subject to variations in the assumed data. Actual results will vary from those projected, and such variations may be material. See "FORWARD-LOOKING STATEMENTS."***

**Competition With Other Developments**

Both the residential and commercial portions of the Development compete with other similar developments in the immediate vicinity. Additional future developments may be constructed which further compete. See the Market Analysis attached as Appendix C for information regarding competition to the Development.

**Risk of Internal Revenue Service Audit**

The Internal Revenue Service (the "Service") has announced a program of auditing tax-exempt bonds which can include those issued by special purpose governmental units, such as the District, for the purpose of determining whether the Service agrees (a) with the determination of bond counsel that interest on the Bonds is tax-exempt for federal income tax purposes or (b) that the District is in or remains in compliance with Service regulations and rulings applicable to governmental bonds such as the Bonds. The commencement of an audit of the Bonds could adversely affect the market value and liquidity of the Bonds, regardless of the final outcome. An adverse determination by the Service with respect to the tax-exempt status of interest on the Bonds could be expected to adversely impact the secondary market, if any, for the Bonds, and, if a secondary market exists, would also be expected to adversely impact the price at which the Bonds can be sold. The Indenture does not provide for any adjustment to the interest rates borne by the Bonds in the event of a change in the tax-exempt status of the Bonds. Owners of the Bonds should note that, if the Service audits the Bonds, under current audit procedures the Service will treat the District as the taxpayer during the initial stage of the audit, and the owners of the Bonds will have limited rights to participate in such procedures. There can be no assurance that the District will have revenues available to contest an adverse determination by the Service. No transaction participant, including none of the District, the Underwriter or Bond Counsel is obligated to pay or reimburse the owner of any Bond for audit or litigation costs in connection with any legal action, by the Service or otherwise, relating to the Bonds.

There can be no assurance that an audit by the Service of the Bonds will not be commenced. However, the District has no reason to believe that any such audit will be commenced, or that if commenced, an audit would result in a conclusion of noncompliance with any applicable Service position, regulation or ruling. No rulings have been or will be sought from the Service with respect to any federal tax matters relating to the issuance, purchase, ownership, receipt or accrual of interest upon, or disposition of the Bonds. See also "TAX MATTERS" herein.

**Potential Conflicts of Interest**

Four of the five members of the Board of Directors of the District (the "Board") and the Board of Directors of District No. 1 (the "District No. 1 Board" and together with the Board, the "Boards") are officers or employees of the Prior Developer or entities related to the Prior Developer, and the fifth member is an employee of Aspen Skiing Company, an affiliate of which is a member of the joint venture which constitutes the Developer in the redevelopment of Base Village. The membership of the Boards is expected to change after the sale of the Prior Developer's Interest to the Developer, although the future composition of the Boards is not known at this time.

The issuance of the Bonds and the application of the proceeds therefrom, as well as other activities of the Districts, may involve conflicts of interest. See "THE DISTRICTS – Conflicts of Interest." By statute, a director must disqualify himself or herself from voting on any issue in which he or she has a conflict of interest unless he or she has disclosed such conflict of interest in a certificate filed with the Secretary of State and the Boards at least 72 hours in advance of any meeting in which such conflict may arise. However, compliance with such statute does not provide absolute certainty that contracts between the District or District No. 1 and persons related to their Directors, such as the Prior Developer, the Developer or Aspen Skiing Company, will not be subject to defenses or challenge on the basis of alleged conflicts. It is expected that the interested members of the Boards will comply with the statute by making advanced disclosure of their conflicts, and that they will not disqualify themselves from voting. The Boards of Directors for both of the Districts are currently identical.

**Enforceability of Capital Facility Fees**

The Pledged Revenue includes the Capital Facility Fees. "Capital Facility Fees" are defined as the fees imposed and collected by the District pursuant to the Resolution of Base Village Metropolitan District No. 1 to Establish a Capital Facility Fee adopted by the Board on November [28], 2016, including any amendments or supplements made thereto in accordance with the terms thereof and of the Indenture (the "Capital Facility Fee Resolution").

The Capital Facility Fee Resolution states that the Capital Facility Fees constitute a perpetual lien on and against the property in the Districts, shall be in a senior position as against all other liens of record and may be foreclosed in the manner authorized by law. The Special District Act provides that such liens may be foreclosed in the same manner as mechanic's liens. The Districts expect to record the Capital Facility Fee Resolution with the County Clerk and Recorder prior to the date of issuance of the Bonds.

**[Describe fee validity and lien priority opinion to be provided by general counsel.]** It is possible that the validity of the Capital Facility Fees could be challenged and there is no assurance that a court would uphold the validity of the Capital Facility Fees or would find that the lien of such fees is superior over other liens. In addition, the actions necessary to legally enforce the collection of unpaid Capital Facility Fees may be prohibitively costly and such expenses could exceed the amount subject to collection. The District does not have funds set aside for payment of such enforcement activity.

**Legal Constraints on District Operations**

The Districts are formed pursuant to statute and exercises only limited powers. Various State laws and constitutional provisions govern the assessment and collection of general ad valorem property taxes, limit revenues and spending of the State and local governments and limit rates, fees and charges imposed by such entities, including the Districts. There can be no assurance that the application of such provisions, or the adoption of new provisions, will not have a material adverse effect on the affairs of the Districts. See "LEGAL MATTERS – Certain Constitutional Limitations."

**Limitations on Remedies Available to Owners of Bonds**

No Acceleration. There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal of or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may have to be enforced from year to year.

Bankruptcy, Federal Lien Power and Police Power. The enforceability of the rights and remedies of the owners of the Bonds and the obligations incurred by the District in issuing the Bonds may be subject to the federal bankruptcy code (unless limited as described in the following paragraph), and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; the power of the federal government to impose liens in certain situations, which could result in a lien on the Pledged Revenue which is superior to the lien thereon of the applicable series of Bonds and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings (if available) or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

The Special District Act provides that Colorado special districts may not seek protection under the federal bankruptcy code unless the special district is unable to discharge its obligations as they become due by means of a mill levy of not less than 100 mills. The Required Mill Levy is a limited mill levy. Accordingly, it may not be possible under State law for the Districts to file for bankruptcy, and no bankruptcy trustee will be available to represent the creditors of the District, including the Owners of the Bonds.

Bankruptcy protection may be available to the Districts, however, if the Required Mill Levy ever equaled or exceeded 100 mills pursuant to their adjustment mechanisms, if the applicable District's operational mill levy ever exceeds the difference between 100 mills and the Required Mill Levy due to other unforeseen circumstances.

**Future Changes in Law**

Various State laws, constitutional provisions and federal laws and regulations apply to the obligations created by the issuance of the Bonds and various agreements described herein. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions which would have a material effect, directly or indirectly, on the affairs of the Districts. See "LEGAL MATTERS – Certain Constitutional Limitations."

**Secondary Market; No Rating**

While the Underwriter expects, insofar as possible, to maintain a secondary market in the Bonds, no assurance can be given concerning the future existence of such a secondary market or its maintenance by the Underwriter or others, and prospective purchasers of the Bonds should therefore be prepared, if necessary, to hold their Bonds to maturity or prior redemption, if any. The District has not submitted an application to any securities rating agency with respect to the Bonds. The Bonds are offered only to financial institutions and institutional investors in minimum denominations of $500,000. Because the Bonds are not rated and are issued in large denominations, the secondary market for the Bonds, if any, is expected to be limited.

**Restrictions on Purchase; Investor Suitability**

The Bonds are being sold to one or more knowledgeable and experienced investors who are not purchasing with a view to distributing the Bonds. Any Bond purchaser must be a "financial institution or institutional investor" within the meaning of § 32-1-103(6.5), C.R.S. Moreover, the Bonds are being issued in Authorized Denominations of at least $500,000 of the principal amount Outstanding of a Bond at the applicable date of purchase or transfer of such Bond. Therefore, the Bonds should not be purchased by an investor unless the investor is able to hold such Bonds indefinitely.

**The foregoing standards are minimum requirements for prospective purchasers of the Bonds. The satisfaction of such standards does not necessarily mean that the Bonds are a suitable investment for a prospective investor. Accordingly, each prospective investor is urged to consult with its own legal, tax and financial advisors to determine whether an investment in the Bonds is appropriate in light of its individual legal, tax and financial situation.**

## USES OF PROCEEDS

### Refunding Project

The net proceeds of the Bonds will be used refund, on a current refunding basis: (a) all of the District's Senior Limited Tax Refunding Loan, Series 2013A (the "2013A Loan"); and (b) a portion of the District's Subordinate Limited Tax Revenue Refunding Bonds, Series 2013B (the "2013B Bonds" and together with the 2013A Loan, the "Refunded Bonds"). The 2013A Loan is outstanding in the amount of $18,445,000 and will be paid on the date of issuance of the Bonds, plus accrued interest. The 2013B Bonds are outstanding in the amount of $23,760,000, in addition to accrued interest in the amount of $4,111,187, for a total amount due on the 2013B Bonds of $27,871,187. A portion of the net proceeds of the Bonds, and all of the net proceeds of the Series 2016B Subordinate Bonds) will be used to repay $[25,015,843]* of the 2013B Bonds, leaving $[2,855,344]* of 2013B Bonds outstanding. This remaining amount due will be forgiven by the owner of the 2013B Bonds on the date of issuance of the Bonds.

### Sources and Uses of Funds

The sources and uses of funds for the Bonds (and for the Series 2016B Subordinate Bonds to be issued on the date of issuance of the Bonds in a private placement to [_____]) are anticipated to be as follows:

Sources and Uses of Funds*

| | Series 2016A Senior Bonds | Series 2016B Subordinate Bonds | Total |
|---|---|---|---|
| Sources: | | | |
| Bond proceeds | $31,715,000 | $14,023,000 | $45,155,000 |
| Funds on hand | | | |
| TOTAL | | | |
| Uses: | | | |
| Payment of the 2013A Loan | | | |
| Payment of the 2013B Bonds | | | |
| Deposit to the Reserve Fund | | | |
| Deposit to the Surplus Fund | | | |
| Costs of issuance, underwriting discount (see "UNDERWRITING") and contingency | | | |
| TOTAL | | | |

Source: The Underwriter.

* Subject to change.

## THE BONDS

### General Description

The Bonds will be issued in the principal amount, will be dated and will mature as indicated on the cover page of this Limited Offering Memorandum. For a complete statement of the details and conditions of the Bond issue, reference is made to the Indenture and the Bond Resolution, copies of which are available from the District prior to delivery of the Bonds. See "INTRODUCTION – Additional Information."

### Authorized Denominations

The Bonds are being issued in an "Authorized Denominations," defined in the Indenture to mean, initially, the amount of $500,000 or any integral multiple of $1,000 in excess thereof, provided that: (a) no individual Bond may be in an amount which exceeds the principal amount coming due on any maturity date; (b) in the event a Bond is partially redeemed and the unredeemed portion is less than $500,000, such unredeemed portion of such Bond may be issued in the largest possible denomination of less than $500,000, in integral multiples of not less than $1,000 each or any integral multiple thereof; and (c) the Authorized Denominations shall be reduced to $1,000 or any integral multiple thereof in the event that the Trustee receives an opinion of Counsel that the District has filed a notice of a claim of exemption, along with all other required documents necessary to exempt the Bonds under any of the exemptions from registration contemplated by Section 11-59-110, C.R.S., or any successor statute, or has taken other actions which permit the Bonds to be issued in denominations of $1,000 or integral multiples thereof under the Colorado Municipal Bond Supervision Act, Title 11, Article 59, C.R.S., or any successor statute.

### Payment of Principal and Interest; Record Date

The principal of and premium, if any, on the Bonds are payable in lawful money of the United States of America to the Owner of each Bond upon maturity or prior redemption and presentation at the principal office of the Trustee. The interest on any Bond is payable to the person in whose name such Bond is registered, at his address as it appears on the registration books maintained by or on behalf of the District by the Trustee, at the close of business on the Record Date, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date; provided that any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Owners of the Bonds not less than ten (10) days prior to the Special Record Date by first-class mail to each such Owner as shown on the registration books kept by the Trustee on a date selected by the Trustee. Such notice shall state the date of the Special Record Date and the date fixed for the payment of such unpaid interest, which date need not be an Interest Payment Date.

Interest payments shall be paid by check or draft of the Trustee mailed on or before the interest payment date to the Owners. The Trustee may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Trustee; provided that the District shall not be required to make funds available to the Trustee prior to the dates on which such interest would otherwise be payable under the Indenture, nor to incur any expenses in connection with such alternative means of payment.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid. To the extent interest on any Bond is not paid when due, such interest shall compound semiannually on each Interest Payment Date, at the rate then borne by the Bond; provided however, that notwithstanding anything in the Indenture to the contrary, the District shall not be obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount.

**Prior Redemption**

Optional Redemption.* The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of $1,000, in any order of maturity and in whole or partial maturities, on December 1, 20__, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

| Date of Redemption | Redemption Premium |
|---|---|

Mandatory Sinking Fund Redemption.* The Bonds also are subject to mandatory sinking fund redemption prior to the maturity date of such Bonds, in part, by lot, upon payment of par and accrued interest, without redemption premium, on December 1 in the years and amounts set forth below:

| Year of Redemption (December 1) | Redemption Amount |
|---|---|
| _____(1) | |

(1) Final maturity, not a sinking fund redemption.

* Subject to change.

With respect to each maturity of the Bonds subject to mandatory sinking fund redemption, on or before forty-five (45) days prior to each sinking fund installment date as set forth above, the Trustee shall select for redemption, by lot in such manner as the Trustee may determine, from the Outstanding Bonds, a principal amount of such Bonds equal to the applicable sinking fund installment. The amount of the applicable sinking fund installment for any particular date shall be reduced by the principal amount of any Bonds which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against a sinking fund installment. Such reductions shall be applied in such year or years as may be determined by the District.

Mandatory Excess Funds Redemption. **[to be provided; relates to the redemption of Bonds using the Supplemental Fund if such fund has not been released within three years].**

Redemption Procedure and Notice. If less than all of the Bonds within a maturity are to be redeemed on any prior redemption date, the Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption. The Bonds shall be redeemed only in integral multiples of $1,000. In the event a Bond is of a denomination larger than $1,000, a portion of such Bond may be redeemed, but only in the principal amount of $1,000 or any integral multiple thereof. Such Bond shall be treated for the purpose of redemption as that number of Bonds which results from dividing the principal amount of such Bond by $1,000. In the event a portion of any Bond is redeemed, the Trustee shall, without charge to the Owner of such Bond, authenticate and deliver a replacement Bond or Bonds for the unredeemed portion thereof.

In the event any of the Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid), or by electronic means to DTC or its successors, not less than thirty (30) days prior to the date fixed for redemption, to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by or on behalf of the District by the Trustee. Failure to give such notice by mailing to any Owner, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Bonds as to which no such failure or defect exists. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice, and if funds for the redemption are not irrevocably deposited with the Trustee or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice shall be specifically subject to the deposit of funds by the District. All Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

**Book-Entry Only System**

The Bonds will be available only in book-entry form in Authorized Denominations. DTC will act as the initial securities depository for the Bonds. The ownership of one fully registered Bond for each maturity, as set forth on the cover page of this Limited Offering Memorandum, in the aggregate principal amount of such maturity coming due thereon, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix E – Book-Entry Only System.

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS LIMITED OFFERING MEMORANDUM TO THE REGISTERED OWNERS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the District nor the Trustee will have any responsibility or obligation to DTC's Direct Participants or Indirect Participants (defined herein), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants or the beneficial owners of the Bonds as further described in Appendix E to this Limited Offering Memorandum.

## SECURITY FOR THE BONDS

### Limited Tax Obligations

The Bonds constitute limited tax general obligations of the District as provided in the Indenture. All of the Bonds, together with the interest thereon and any premium due in connection therewith, are payable solely from and to the extent of the Pledged Revenue (defined below), and the Pledged Revenue is pledged to the payment of the Bonds. The Bonds constitute an irrevocable lien upon the Pledged Revenue, but not necessarily an exclusive such lien. See "RISK FACTORS – Limited Security for the Bonds" and "– Risks Related to Property Tax Revenues."

The Bonds are additionally secured by the Reserve Fund, which will be initially funded in the amount of $646,000,* by the Surplus Fund, which will be initially funded in the amount of $1,860,000* and is required to be funded in the future with excess Pledged Revenue, if any, and by the Supplemental Fund, which will be initially funded in the amount of $9,000,000* but is subject to release if certain development occurs. See "SECURITY FOR THE BONDS – Flow of Funds."

The Bonds are not secured directly by any lien on property located within the Districts; rather they are secured by, among other things, the District's covenant to certify to the Board of County Commissioners the Required Mill Levy and, under certain circumstances, District No. 1's covenant to certify to the Board of County Commissioners the Capital Levy. The Required Mill Levy and Capital Levy create statutory tax liens which may be enforced to the extent that taxes are delinquent in a given year. ***The Bonds are not obligations of the Town, the County or the State.***

### Pledged Revenue

"Pledged Revenue" is defined in the Indenture as:

(a) the Required Mill Levy;

(b) the Specific Ownership Tax Revenue;

* Subject to change.

(c) the Capital Facility Fee Revenue;

(d) the Capital Levy Revenue (from which Shortfalls shall be paid); and

(e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

**The Required Mill Levy**

In the Indenture, the District covenants that for the purpose of paying the principal of, premium if any, and interest on the Bonds, funding and, if necessary, replenishing the Surplus Fund and, if necessary, replenishing the Reserve Fund, the District covenants to cause to be levied on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in each of the years 2016 to 2045, inclusive (and, to the extent necessary to make up any overdue payments on the Bonds, in each year subsequent to 2045) in the amount of the Required Mill Levy. Nothing in the Indenture shall be construed to require the District to levy an ad valorem property tax in an amount in excess of the Required Mill Levy.

The Indenture defines "Required Mill Levy" as the following (see "Levels" below, for a description of the Levels):

(a) During a Level A Period, Level B Period, Level C Period, and Level D Period, subject to clause (c) below, means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year equal to 37.5 mills; provided that in the event the method of calculating assessed valuation is or was changed after October 23, 2006 (being the date of approval of the Districts' Service Plan), such mill levy shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by such mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation.

(b) During a Level E Period and Level F Period, subject to clause (c) below, means an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year equal to 43.5 mills; provided that in the event the method of calculating assessed valuation is or was changed after October 23, 2006 (being the date of approval of the Districts' Service Plan), such mill levy shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by such mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation.

(c) Notwithstanding anything in the Indenture to the contrary, in no event may the Required Mill Levy be established at a mill levy which would cause the District to derive tax

revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

**Capital Facility Fees**

Capital Facility Fees is defined in the Indenture as the fees imposed by the District pursuant to the Capital Facility Fee Resolution. "Capital Facilities Fee Resolution" is defined as the Resolution of Base Village Metropolitan District No. 1 to Establish a Capital Facility Fee adopted by the Board on November [28], 2016, as the same may be further amended from time to time in accordance with the terms thereof and of the Indenture.

The Capital Facility Fee Resolution states that District No. 2 desires to impose a capital facility fee with respect to property located within District No. 2 for costs associated with the provision of public improvements described in the Service Plan. Pursuant to the resolution, a Capital Facility Fee is established by the District for each residential living unit to be constructed within District No. 2 as a one-time charge at the rate of $5,150 per unit. The amount of the fee may be increased by the Boards. The Capital Facility Fee has not been increased to date. Capital Facility Fees are due and owing and shall be paid by the purchaser at the closing of the initial sale of the unit. Any unpaid fees after 5 days shall be assessed a late fee of 5% per month, not to exceed 25% of the total amount due, and shall be subject to interest at the rate of 18% per annum. District No. 1 is authorized to administer the collection of the fee and may institute collection efforts on the 41st calendar day after the date of initial billing. In accordance with the Special District Act, all Capital Facility Fees shall constitute a perpetual lien on and against the property charged. The Special District Act provides that liens of this type are to be enforced in the same manner as mechanic's liens under State law.

**Specific Ownership Tax Revenue**

"Specific Ownership Tax Revenue" is defined in the Indenture as the specific ownership taxes collected by the county and remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute, which are allocable to the imposition by the District of the Required Mill Levy. Additional information regarding the specific ownership tax is provided in "FINANCIAL INFORMATION OF THE DISTRICTS – Sources of Revenues – Specific Ownership Taxes."

**Capital Levy Revenue**

Capital Levy. The Pledged Revenue includes the Capital Levy Revenue, which is defined as the sum of (a) ad valorem property tax revenue derived from imposition of the Capital Levy plus (b) the Specific Ownership Tax revenue allocable to such Capital Levy, less costs of collection.

"Capital Levy" is defined as:

(a) subject to clause (b) below, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of District No. 1 each year in the number of mills necessary to produce Capital Levy Revenue in an amount at least equal to the amount of the applicable Shortfall, but such mill levy shall not exceed 43.5 mills; provided, however, that in the event the method of calculating assessed valuation is or was changed after October 23, 2006 (being the date of approval of the Districts' Service Plan), such mill levy shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the District No. 1 Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by such mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation.

(b) Notwithstanding anything in the Capital Pledge Agreement to the contrary, in no event may the Capital Levy be established at a mill levy which would cause District No. 1 to derive tax revenue in any year in excess of the maximum tax increases permitted by District No. 1's electoral authorization, and if the Capital Levy as calculated pursuant to the provisions set forth below would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by District No. 1's electoral authorization, the Capital Levy shall be reduced to the point that such maximum tax increase is not exceeded.

The Capital Pledge Agreement states that due to the nature of the improvements and the proximity and interrelatedness of the development that has occurred and is anticipated to occur, the Districts previously determined that the improvements benefit the Districts' residents, property owners and taxpayers in the Districts as a whole. In light of the benefit derived by District No. 1's property owners and taxpayers from the improvements, District No. 1 agrees to be liable for a portion of the repayment of the Bonds and to be obligated to impose the Capital Levy for the Shortfall as described below.

Pursuant to the Capital Pledge Agreement, District No. 1 covenants to cause to be levied on all taxable property of District No. 1, direct annual taxes in each year where a Shortfall is expected to occur in the related collection year (such levy year constituting a "Shortfall Levy Year") in the amount of the Capital Levy for the purposes of funding the Shortfall in such following collection year.

Shortfalls; Limited Tax General Obligation Pledge.

(a) ***Annual Determination of Shortfall***. If, in any Senior Bond Year, the sum of (i) the District No. 2 Annual Revenue received in such Senior Bond Year and (ii) the moneys in the Surplus Fund in excess of $1,000,000 are less than the Senior Debt Service Requirements for the same Senior Bond Year, such insufficiency shall constitute a "Shortfall" and a Shortfall shall be deemed to occur with respect to such Senior Bond Year.

(b) ***Payment of Shortfalls***.

(i) Upon the occurrence of a Shortfall, District No. 1 agrees to pay an amount equal to the lesser of (i) the amount of the Shortfall for the applicable Senior Bond Year or (ii) the Capital Levy Revenue received by District No. 1 in such Senior Bond Year (such amount constituting a "Shortfall Payment"). Shortfall Payments shall be paid by District No. 1 in lawful money of the United States of America by check mailed or delivered, or by wire transfer, to the Senior Bond Trustee. District No. 1 agrees to make each Shortfall Payment not later than 30 days prior to the applicable Due Date.

(ii) The Senior Bond Trustee shall be required under each applicable Senior Governing Instrument to provide written notice to District No. 1 of the occurrence and amount of each Shortfall (each, a "Shortfall Notice") not later than 45 days prior to the applicable Due Date. Each Shortfall Notice shall also specify the applicable Due Date and include the Senior Bond Trustee's mailing address, address for delivery, and wiring instructions for the Shortfall Payment.

(iii) District No. 2 agrees to cause the inclusion of a provision in each additional Senior Governing Instrument entered into in the future, if any, to the effect that the Senior Bond Trustee shall provide a Shortfall Notice to District No. 1 in a manner consistent with the provisions of Section 2.04(b)(ii) above.

Shortfalls; Budgets.

The Capital Pledge Agreement provides that:

(i) If District No. 1 is at such time responsible for preparing District No. 2's annual budget under the Operations Agreement or otherwise, District No. 1 shall be deemed to have knowledge of the existence of each Shortfall which is anticipated to occur in the next succeeding year and shall prepare and adopt its annual budget and certify its Capital Levy accordingly.

(ii) If District No. 2 is at such time responsible for preparing its annual budget, District No. 2 will provide a copy of its proposed budget reflecting such expected Shortfall to District No. 1 in sufficient time such that District No. 1 will be able to reflect the anticipated Shortfall in District No. 1's adopted annual budget and to certify its Capital Levy accordingly. District No. 2 agrees to provide documentation reasonably requested by District No. 1 supporting the expectation that a Shortfall is anticipated to occur in any Fiscal Year.

Pledge of Capital Levy Revenue; Payment Obligation. The obligation of District No. 1 to make Shortfall Payments as provided in the Capital Pledge Agreement shall constitute a limited tax general obligation of District No. 1 payable from Capital Levy Revenue or from other legally available revenue of District No. 1. District No. 1 pledges the Capital Levy Revenue to District No. 2 to secure District No. 1's obligations under the Capital Pledge Agreement. District No. 2 shall subsequently pledge its interest in and to the Capital Levy Revenue to the Senior Bond Trustee under the applicable Senior Governing Instrument for the benefit of the Senior Bondholders from time to time. District No. 2 authorizes and directs District No. 1 to pay (or cause to be paid) all Shortfall Payments to the Senior Bond Trustee. The obligation of District

No. 1 to make Shortfall Payments as provided in the Capital Pledge Agreement (the "Payment Obligation") shall constitute an irrevocable and first priority lien upon the Capital Levy Revenue. District No. 1 hereby elects to apply all of the provisions of the Supplemental Act to its obligations under the Capital Pledge Agreement and the Payment Obligation.

Prior and Superior Obligations. District No. 1 acknowledges and agrees in the Capital Pledge Agreement that its obligations thereunder are prior and superior to all obligations of District No. 1 under the Operations Agreement and the Omnibus Reimbursement Agreement, and that District No. 1 shall first determine and impose ad valorem property taxes for Shortfall Payments in satisfaction of its Payment Obligation under the Capital Pledge Agreement up to the maximum mill levy required thereunder, without taking into account any mill levy to be imposed under the Operations Agreement or Omnibus Reimbursement Agreement.

Additional terms of the Capital Pledge Agreement are set forth in Appendix H.

**Shortfalls; Capital Levy Revenue Pledge**

The Indenture states the following regarding Shortfalls and the Capital Levy Revenue pledge.

(a) ***Capital Levy Revenue Pledge***. Pursuant to the Capital Pledge Agreement, District No. 1 has pledged the Capital Levy Revenue to the District for payment of the Bonds and other Parity Bonds (subject to the limitations of the Capital Pledge Agreement), and the District has pledged such Capital Levy Revenue to the Trustee for the benefit of the Owners of the Bonds. The Capital Levy Revenue constitutes a part of the Trust Estate under the Indenture. The pledge of the Capital Levy Revenue secures the obligations of District No. 1 to make Shortfall Payments (defined below) in accordance with the Capital Pledge Agreement.

(b) ***Annual Determination of Shortfall***. If, with respect to any Bond Year, the Trustee determines that the sum of the District No. 2 Annual Revenue received in such Bond Year plus (ii) the moneys in the Surplus Fund in excess of $1,000,000, are less than the Senior Debt Service Requirements for the same Bond Year, such insufficiency shall constitute a "Shortfall" and a Shortfall shall be deemed to occur with respect to such Bond Year. The Trustee agrees to make a determination of any such Shortfall at the earliest time that the Trustee is in receipt of information reasonably sufficient to ascertain the existence thereof with respect to the applicable Bond Year.

(c) ***Shortfall Notice to District No. 1***. The Trustee shall provide written notice to District No. 1 of the occurrence and amount of each Shortfall (each, a "Shortfall Notice") not later than 45 days prior to the applicable Due Date. Each Shortfall Notice shall also specify the applicable Due Date and include the Trustee's mailing address, address for delivery, and wiring instructions for the Shortfall Payment

(d) ***Shortfall Payments***. Following receipt of the Shortfall Notice from the Trustee, the Capital Pledge Agreement provides that District No. 1 is to pay an amount equal to the lesser of (i) the amount of the Shortfall for the applicable Bond Year or (ii) the Capital Levy Revenue received by District No. 1 in such Senior Bond Year (such amount constituting a "Shortfall Payment"). Shortfall Payments are to be paid by in lawful money of the United States

of America by check mailed or delivered, or by wire transfer, to the Trustee not later than 30 days prior to the applicable Due Date.

(e) ***Deposit of Shortfall Moneys***. The Trustee agrees to deposit all Shortfall Payments in the Revenue Fund for application as provided the Flow of Funds described below.

**Funds and Accounts**

The Indenture creates and establishes the following funds and accounts, which shall be established with the Trustee and maintained by the Trustee in accordance with the provisions of the Indenture: (a) the Revenue Fund; (b) the Bond Fund; (c) the Reserve Fund; (d) the Surplus Fund; (e) the Supplemental Fund; and (f) the Costs of Issuance Fund.

**Revenue Fund; Flow of Funds**

The Indenture states the following regarding the Revenue Fund.

(a) ***Transfers of Pledged Revenue and Other Moneys***. On the date of issuance of the Bonds, the District shall transfer to the Trustee any moneys which it then holds which constitute Pledged Revenue including, without limitation, any Capital Facility Fees. Thereafter, the District shall transfer all amounts comprising Pledged Revenue to the Trustee as soon as may be practicable after the receipt thereof. In addition, in order to assure the proper application of moneys constituting Pledged Revenue, on and after the date of issuance of any other Parity Bonds or Subordinate Bonds, the District shall also transfer to the Trustee all moneys pledged to the payment of such Parity Bonds or Subordinate Bonds which are derived from either ad valorem taxes of the District or Specific Ownership Tax Revenue, and any such moneys shall constitute part of the Trust Estate.

(b) ***Deposits to Revenue Fund***. The Trustee shall deposit all Pledged Revenue and such other moneys as described above, if any, into the Revenue Fund promptly upon the receipt thereof. In addition, the Trustee shall credit to the Revenue Fund the following:

(i) funds representing Shortfalls;

(ii) investment earnings on amounts in the Reserve Fund in excess of the Reserve Requirement, if any;

(iii) investment earnings on amounts in the Surplus Fund in excess of the Maximum Surplus Amount, if any; and

(iv) amounts remaining in the Costs of Issuance Fund, if any, after payment of the costs of issuance of the Bonds.

(c) ***Flow of Funds***. Subject to the provisions of the Indenture described in "Levels," below, the Trustee shall, in each Bond Year, apply the Pledged Revenue received in that Bond Year and deposited in the Revenue Fund, together with any other amounts credited to the Revenue Fund in the same Bond Year pursuant to the provisions thereof, in the order of priority set forth below (the "Flow of Funds"). For purposes of the following: (i) when credits to

more than one fund, account, or purpose are required at any single priority level, such credits shall rank *pari passu* with each other, and (ii) when credits are required to go to funds or accounts which are not held by the Trustee under the Indenture, the Trustee may rely upon the written instructions of the District with respect to the appropriate funds or accounts to which such credits are to be made.

FIRST: To the credit of the Bond Fund, the amounts required under "Other Funds - Bond Fund" below, and to the credit of any other similar fund or account established for the current payment of the principal of, premium if any, and interest on any other Parity Bonds, the amounts required by the applicable Senior Governing Instrument pursuant to which the Parity Bonds are issued;

SECOND: To the credit of the Reserve Fund, the amounts required under "Other Funds - Reserve Fund" below, and to the credit of any other Senior Reserve Fund established in connection with any other Parity Bonds to secure the payment of the principal of, premium if any, and interest on such Parity Bonds and fully funded as of the date of issuance of such Parity Bonds, the amounts required by the applicable Senior Governing Instrument pursuant to which such other Parity Bonds are issued;

THIRD: To the credit of the Surplus Fund the amounts required under "Other Funds - Surplus Fund" below, and to the credit of any other similar surplus fund or account established in connection with any other Parity Bonds to secure payment of the principal of, premium if any, and interest on such Parity Bonds but not fully funded as of the date of issuance of such Parity Bonds, the amounts required by the applicable Senior Governing Instrument pursuant to which such other Parity Bonds are issued;

FOURTH: To the credit of any other fund or account established for the payment of the principal of, premium if any, and interest on Subordinate Bonds, including any sinking fund, reserve fund, or similar fund or account established therefor, the amounts required by the documents pursuant to which the Subordinate Bonds are issued; and

FIFTH: To the credit of any other fund or account as may be designated by the District, to be used for any lawful purpose, any Pledged Revenue remaining after the payments and accumulations set forth above.

**Levels**

The Indenture states that in applying the Pledged Revenue and amounts in the funds and accounts held thereunder to the Annual Debt Service Requirements and other credits set forth in the Flow of Funds, the Trustee shall take into account the sources of revenue and other moneys in the funds held under the Indenture and ascertain the then applicable level of revenue (each, a "Level") as defined and described below. The Trustee shall utilize and apply the revenue at the lowest Level possible, with Level A Revenue being the lowest level and Level F Revenue being the highest Level.

(a) ***Level A***. At all times during a Level A Period, the Trustee shall apply only the Level A Revenue to the Annual Debt Service Requirements and other credits set forth in

the Flow of Funds in the order of priority established therein. The following capitalized terms shall have the respective meanings assigned to such terms set forth below.

(i) *"Level A Period"* means the period of time or times during which the Level A Revenue (defined below) equals or exceeds the Annual Debt Service Requirements for the applicable Bond Year.

(ii) *"Level A Revenue"* means the Pledged Revenue derived from the sources set forth in below, net of costs of collection:

(A) the Required Mill Levy (as defined in paragraph (a) of the definition thereof set forth in the Indenture);

(B) the Special Ownership Tax Revenue; and

(C) the Capital Facility Fee Revenue.

(b) ***Level B***. At all times during a Level B Period, the Trustee shall apply only the Level B Revenue to the Annual Debt Service Requirements as provided in the Flow of Funds. The following capitalized terms shall have the respective meanings assigned to such terms set forth below.

(i) *"Level B Period"* means the period of time or times during which (1) the Level A Revenue is *less than* the Annual Debt Service Requirements for the applicable Bond Year and, as a result, (2) the Trustee shall apply Level B Revenue (defined below) to the Annual Debt Service Requirements.

(ii) *"Level B* Revenue*"* means the amount of Pledged Revenue and other moneys equal to the Annual Debt Service Requirements for the applicable Bond Year derived from the sources set forth below in the order of priority set forth below, net of costs of collection:

(A) the Level A Revenue; and

(B) the amounts on deposit in the Surplus Fund in excess of $1,000,000, if any.

(c) ***Level C***. At all times during a Level C Period, the Trustee shall apply only the Level C Revenue to the Annual Debt Service Requirements as provided in the Flow of Funds. The following capitalized terms shall have the respective meanings assigned to such terms set forth below.

(i) *"Level C Period"* means the period of time or times during which (1) each of the (I) Level A Revenue and the (II) Level B Revenue are *less than* the Annual Debt Service Requirements for the applicable Bond Year and, as a result, (2) the Trustee shall apply Level C Revenue (defined below) to the Annual Debt Service Requirements.

(ii) *"Level C Revenue"* means the amount of Pledged Revenue and other moneys equal to the Annual Debt Service Requirements for the applicable Bond Year derived from the sources set forth below in the order of priority set forth below, net of costs of collection:

(A) the Level A Revenue;

(B) the amounts on deposit in the Surplus Fund in excess of $1,000,000, if any; and

(C) Shortfall Payments.

(d) ***Level D***. At all times during a Level D Period, the Trustee shall apply only the Level D Revenue to the Annual Debt Service Requirements as provided in the Flow of Funds. The following capitalized terms shall have the respective meanings assigned to such terms set forth below.

(i) *"Level D Period"* means the period of time or times during which (1) each of the (I) Level A Revenue; (II) Level B Revenue; and (III) Level C Revenue is *less than* the Annual Debt Service Requirements for the applicable Bond Year and, as a result, (2) the Trustee shall apply Level D Revenue (defined below) to the Annual Debt Service Requirements.

(ii) *"Level D Revenue"* means the amount of Pledged Revenue and other moneys equal to the Annual Debt Service Requirements for the applicable Bond Year derived from the sources set forth below in the order of priority set forth below, net of costs of collection:

(A) the Level A Revenue;

(B) Shortfall Payments; and

(C3) all remaining amounts on deposit in the Surplus Fund, if any.

(e) ***Level E***. At all times during a Level E Period, the Trustee shall apply only the Level E Revenue to the Annual Debt Service Requirements as provided in the Flow of Funds. The following capitalized terms shall have the respective meanings assigned to such terms set forth below.

(i) *"Level E Period"* means the period of time or times during which (1) each of the (I) Level A Revenue; (II) Level B Revenue; (III) Level C Revenue; and (IV) the Level D Revenue is *less than* the Annual Debt Service Requirements for the applicable Bond Year and, as a result, (2) the Trustee shall apply Level E Revenue (defined below) to the Annual Debt Service Requirements.

(ii) *"Level E Revenue"* means the amount of Pledged Revenue and other moneys equal to the Annual Debt Service Requirements for the applicable Bond Year derived from the sources set forth below in the order of priority set forth below, net of costs of collection:

(A) the Level A Revenue; provided, however, that if, at the time of certifying the Required Mill Levy the District ascertains that Level E Revenue will be required in the applicable collection year in order to meet the Annual Debt Service Requirements, the District shall certify the levy set forth in clause (D) below, but shall apply that portion of the tax revenue from the Required Mill Levy (as defined in clause (a) of the definition thereof), together with the allocable Specific Ownership Tax Revenue and the Capital Facility Fee Revenue *first*, to the Annual Debt Service Requirements, prior to applying the other Level E Revenue as described below;

(B) Shortfall Payments;

(C) all remaining amounts on deposit in the Surplus Fund, if any; and

(D) the Required Mill Levy (as defined in paragraph (b) of the definition thereof set forth in the Indenture) and the Specific Ownership Tax Revenue allocable to such levy, each to the extent of the revenue from such sources remaining after the application of the revenue described in clause (A) above.

(f) ***Level F***. At all times during a Level F Period, the Trustee shall apply the Level F Revenue to the Annual Debt Service Requirements as provided in the Flow of Funds. The following capitalized terms shall have the respective meanings assigned to such terms set forth below.

(i) *"Level F Period"* means the period of time or times during which (1) each of the (I) Level A Revenue; (II) Level B Revenue; (III) Level C Revenue; (IV) the Level D Revenue; and (V) Level E Revenue is *less than* the Annual Debt Service Requirements for the applicable Bond Year and, as a result, (2) the Trustee shall apply Level F Revenue (defined below) to the Annual Debt Service Requirements.

(ii) *"Level F Revenue"* means the amount of Pledged Revenue and other moneys equal to the Annual Debt Service Requirements for the applicable Bond Year derived from the sources set forth below in the order of priority set forth below, net of costs of collection:

(A) the Level A Revenue; provided, however, that if, at the time of certifying the Required Mill Levy the District ascertains that Level E Revenue will be required in the applicable

collection year in order to meet the Annual Debt Service Requirements, the District shall certify the levy set forth in clause (D) below, but shall apply that portion of the tax revenue from the Required Mill Levy (as defined in clause (a) of the definition thereof), together with the allocable Specific Ownership Tax Revenue and the Capital Facility Fee Revenue *first*, to the Annual Debt Service Requirements, prior to applying the other Level E Revenue as described below;

(B) Shortfall Payments;

(C) all remaining amounts on deposit in the Surplus Fund, if any;

(D) the Required Mill Levy (as defined in paragraph (b) of the definition thereof set forth in the Indenture) and the Specific Ownership Tax Revenue allocable to such levy, each to the extent of the revenue from such sources remaining after the application of the revenue described in clause (A) above; and

(E) amounts on deposit in the Reserve Fund.

**Other Funds**

The Indenture establishes the following additional funds:

Bond Fund. The Indenture provides the following regarding the Bond Fund:

(a) Subject to the receipt of sufficient Pledged Revenue and in accordance with the applicable provisions described in "Levels" above, there shall be credited to the Bond Fund each Bond Year an amount of Pledged Revenue which, when combined with other legally available moneys in the Bond Fund (not including moneys deposited thereto from other funds pursuant to the terms of the Indenture), will be sufficient to pay the principal of, premium if any, and interest on the Bonds which has or will become due in the Bond Year in which the credit is made.

(b) Moneys in the Bond Fund (including any moneys transferred thereto from other funds pursuant to the terms of the Indenture) shall be used by the Trustee solely to pay the principal of, premium if any, and interest on the Bonds, in the following order:

(i) First, to the payment of interest due in connection with the Bonds (including without limitation current interest, accrued but unpaid interest, and interest due as a result of compounding, if any); and

(ii) Second, to the extent any moneys are remaining in the Bond Fund after the payment of such interest, to the payment of the principal of and premium, if any, on the Bonds, whether due at maturity or upon prior redemption.

(c) In the event that available moneys in the Bond Fund (including any moneys transferred thereto from other funds pursuant to the terms of the Indenture) are insufficient for the payment of the principal of, premium if any, and interest due on the Bonds on any due date, the Trustee shall apply such amounts on such due date as follows:

(i) First, the Trustee shall pay such amounts as are available, proportionally in accordance with the amount of interest due on each Bond.

(ii) Second, the Trustee shall apply any remaining amounts to the payment of the principal of and premium, if any, on as many Bonds as can be paid with such remaining amounts, such payments to be in increments of $1,000 or any integral multiple thereof, plus any premium. Bonds or portions thereof to be redeemed pursuant to such partial payment shall be selected by lot from the Bonds the principal of which is due and owing on the due date.

(f) *Levels of Revenue.* The Trustee shall apply Pledged Revenue and moneys in the funds and accounts held under the Indenture in accordance with the Level then in effect from time to time as described in the Flow of Funds.

Reserve Fund. The Indenture provides the following regarding the Reserve Fund:

(a) Subject to the receipt of sufficient Pledged Revenue, the Reserve Fund shall be maintained in the amount of the Reserve Requirement for so long as any Bond is Outstanding. It is acknowledged by the District that the use of moneys released from the Reserve Fund shall be subject to any pledges, liens, or other encumbrances thereon, including without limitation any lien or encumbrance created under the terms of any other Parity Bonds or Subordinate Bonds.

(b) Moneys in the Reserve Fund shall be used by the Trustee, if necessary, only to prevent a default in the payment of the principal of or interest on the Bonds, and the Reserve Fund is hereby pledged to the payment of the Bonds.

(c) In the event that a Level F Period is then in effect and the Level F Revenue set forth in Sections 3.06(f)(ii)(A), (B), (C) and (D) of the Indenture (described above under "Levels – Level F" and defined as the "Other Level F Revenue") is insufficient, when combined with moneys, if any, on deposit in the Bond Fund, to pay the principal of and/or interest on the Bonds when due, the Trustee shall transfer from the Reserve Fund to the Bond Fund an amount which, when combined with the Other Level F Revenue and amounts then in the Bond Fund, if any, will be sufficient to pay the principal of and/or interest on the Bonds when due. In the event that moneys in the Bond Fund, the Other Level F Revenue, and the Reserve Fund are together insufficient to make such payments when due, the Trustee will nonetheless transfer all moneys in the Reserve Fund to the Bond Fund. Moneys in the Surplus Fund shall be used for payment of the Bonds prior to any use of moneys in the Reserve Fund and moneys in the Reserve Fund shall only be used for payment of the Bonds during a Level F Period and in the order of priority established in Section 3.06(f)(ii) of the Indenture.

(d) If at any time the Reserve Fund is drawn upon or valued so that the amount of the Reserve Fund is less than the Reserve Requirement, then the Trustee shall, subject

to "Levels" above, apply Pledged Revenue to the credit of the Reserve Fund in amounts sufficient to bring the amount credited to the Reserve Fund to the Reserve Requirement. Such deposits and payments shall be made at the earliest practicable time, but in accordance with and subject to the limitations of the Indenture. Nothing therein shall be construed as requiring the District to impose an ad valorem mill levy for the purpose of funding of the Reserve Fund in excess of the Required Mill Levy. For purposes of this section of the Indenture, investments credited to the Reserve Fund shall be valued on the basis of their current market value, as reasonably determined by the District, which value shall be determined at least annually, and any deficiency resulting from such evaluation shall be replenished as aforesaid. The amount credited to the Reserve Fund shall never exceed the amount of the Reserve Requirement.

(e) Notwithstanding the foregoing, Permitted Refunding Bonds may be secured by the Reserve Fund in the same fashion as the Bonds remaining Outstanding after issuance of such Permitted Refunding Bonds, and if so secured, such Permitted Refunding Bonds shall have a claim upon the Reserve Fund which ranks pari passu with the claim of the Bonds remaining Outstanding after issuance of such Permitted Refunding Bonds.

Surplus Fund. The Indenture provides the following regarding the Surplus Fund:

(a) Subject to the receipt of sufficient Pledged Revenue, the Surplus Fund shall be maintained as provided therein for so long as any Bond is Outstanding. It is acknowledged by the District that the use of moneys released from the Surplus Fund shall be subject to any pledges, liens, or other encumbrances thereon, including without limitation any lien or encumbrance created under the terms of any other Parity Bonds or Subordinate Bonds.

(b) Upon issuance of the Bonds and from the proceeds thereof, the Surplus Fund shall be partially funded in the amount of $1,000,000,* and thereafter, the Surplus Fund shall be funded solely from deposits of Pledged Revenue as provided in the Flow of Funds and, except to the extent Pledged Revenue is available under the Flow of Funds, the District has no obligation to fund the Surplus Fund after issuance of the Bonds in any amount.

(c) Subject to the receipt of sufficient Pledged Revenue and deposit thereof into the Surplus Fund pursuant to the Flow of Funds, the Surplus Fund shall be funded in an amount up to the Maximum Surplus Amount (defined as the amount of $2,000,000*).

(d) In the event that, as a result of the "Levels" above, amounts on deposit in the Surplus Fund in excess of $1,000,000 (if any) are to be applied to the Annual Debt Service Requirements, the Trustee shall transfer from the amounts then on deposit in the Surplus Fund in excess of $1,000,000, if any, to the Bond Fund an amount which, when combined with amounts on deposit therein, if any, is sufficient to pay the principal of and/or interest on the Bonds when due. If the amount then on deposit in the Surplus Fund in excess of $1,000,000, if any, is insufficient for the foregoing purposes, then the Trustee shall nonetheless transfer the total amount on deposit in the Surplus Fund which in excess of $1,000,000 to the Bond Fund for the purpose of making partial payments on the Bonds as set forth in "Bond Fund" above.

*Subject to change.

(e) In the event that, as a result of "Levels" above, amounts remaining on deposit in the Surplus Fund (after application of amounts therein pursuant to the preceding paragraph (d)) are to be applied to the Annual Debt Service Requirements, the Trustee shall transfer from the Surplus Fund to the Bond Fund an amount which, when combined with amounts on deposit therein, if any, is sufficient to pay the principal of and/or interest on the Bonds when due. If the amount then on deposit in the Surplus Fund is insufficient for the foregoing purposes, then the Trustee shall nonetheless transfer all amounts on deposit in the Surplus Fund to the Bond Fund for the purpose of making partial payments on the Bonds as set forth in "Bond Fund" above.

(f) If the Surplus Fund shall be drawn upon or valued such that the amount therein is less than the Maximum Surplus Amount, the Surplus Fund shall be replenished from deposits of Pledged Revenue pursuant to the Flow of Funds, subject to the receipt of Pledged Revenue sufficient to do so, up to the Maximum Surplus Amount. For purposes of this paragraph, investments credited to the Surplus Fund shall be valued on the basis of their current market value, as reasonably determined by the District, which value shall be determined at least annually.

(g) Amounts in the Surplus Fund (i) shall be used for payment of the Bonds before any use of moneys in the Reserve Fund, and (ii) shall not be used to redeem Bonds being called pursuant to any optional redemption provisions of the Indenture unless such redemption is of all Outstanding Bonds, but shall be used to pay Bonds coming due as a result of any mandatory redemption provisions of the Indenture.

(h) Notwithstanding the foregoing, Permitted Refunding Bonds may be secured by the Surplus Fund in the same fashion as the Bonds remaining Outstanding after issuance of such Permitted Refunding Bonds, and if so secured, such Permitted Refunding Bonds shall have a claim upon the Surplus Fund which ranks pari passu with the claim of the Bonds remaining Outstanding after issuance of such Permitted Refunding Bonds.

Costs of Issuance Fund. All moneys on deposit in the Costs of Issuance Fund shall be applied by the Trustee in accordance with a closing memorandum executed by a District Representative, for the payment of costs in connection with the issuance of the Bonds. Any amounts remaining in the Costs of Issuance Fund ninety (90) days after the date of issuance of the Bonds shall be transferred by the Trustee into the Bond Fund.

Supplemental Fund. The Indenture establishes a Supplemental Fund and states that on the date of issuance of the Bonds, the [owner of the 2013B Bonds] (the "Depositor") is required to deposit $9,000,000* to the Supplemental Fund. The Indenture then provides the following regarding the use of funds in the Supplemental Fund:

(a) *In General.* The Supplemental Fund shall be maintained by the Trustee in accordance with the terms of the Indenture. The Supplemental Fund shall terminate at such time as no further moneys remain therein.

* Subject to change.

(b) *Draws from Supplemental Fund.* Subject to the provisions of paragraph (c) below, so long as no Event of Default shall have occurred and be continuing, amounts in the Supplemental Fund shall be disbursed by the Trustee to the Depositor in accordance with requisitions executed by an authorized officer of the Depositor and submitted to the Trustee, in the amounts determined pursuant to paragraph (d) below.

(c) *Eligibility for Requisition of Funds.* Funds shall be eligible for requisition from the Supplemental Fund at such time as the following conditions are met:

(i) a building permit is issued by the Town for a building structure within the District after the date of issuance of the Bonds; and

(ii) a copy of such building permit is provided to the Trustee, with a copy to the District, which building permit shall clearly identify the building structure to which it relates consistent with the descriptions set forth on Exhibit B to the Indenture.

(d) *Determination of Amounts Disbursed.* The amount to be disbursed from the Supplemental Fund upon satisfaction of the conditions set forth in paragraph (c) above shall be the dollar amount corresponding to each building structure within the District as set forth in Exhibit B to the Indenture.

Exhibit B to the Indenture states: [_____].

**Additional Bonds**

The Indenture contains the following provisions regarding the issuance of additional bonds:

(a) *In General*. After issuance of the Bonds, no Additional Bonds may be issued except in accordance with the provisions of the Indenture. Nothing therein shall affect or restrict the right of the District to issue or incur obligations which are not Additional Bonds thereunder; provided that notwithstanding the foregoing or anything therein to the contrary, the District shall not create, incur, assume, or suffer to exist any liens or encumbrances upon the ad valorem tax revenues of the District or the Pledged Revenue or any part thereof superior to the lien thereon of the Bonds.

(b) *Series 2016B Subordinate Bonds*. The District may issue the Series 2016B Subordinate Bonds on such terms and conditions as may be determined by the District without compliance with any of the other terms and conditions of this section of the Indenture.

(c) *Permitted Refunding Bonds*. The District may issue Permitted Refunding Bonds at such time or times and in such amounts as may be determined by the District in its absolute discretion.

(d) *Parity Bonds*. The District may issue additional Parity Bonds if such issuance is consented to by the Consent Parties with respect to a majority in aggregate principal

amount of the Bonds then Outstanding, provided that, with or without such consent, the District may issue additional Parity Bonds if each of the following conditions are met as of the date of issuance of such additional Parity Bonds:

(i) No Event of Default has occurred and is continuing and no amounts of principal or interest on the Bonds or any other Parity Bonds are due but unpaid.

(ii) The amount of the Reserve Fund is not less than the Reserve Requirement.

(iii) The amount of the Surplus Fund is not less than the Maximum Surplus Amount.

(iv) Upon issuance of the additional Parity Bonds, the Senior Debt to Assessed Ratio of the District will be 50% or less. "Senior Debt to Assessed Ratio" is defined in the Indenture as the ratio derived by dividing the then-outstanding principal amount of the Bonds and all other outstanding Parity Bonds of the District by the assessed valuation of the taxable property of the District, as such assessed valuation is certified from time to time by the appropriate county assessor. The foregoing calculation shall exclude the principal amount of any Subordinate Bonds or any obligation other than Parity Bonds.

(e) *Subordinate Bonds*. The District may issue Subordinate Bonds if such issuance is consented to by the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding, provided that, with or without such consent, the District may issue Subordinate Bonds if each of the following conditions are met as of the date of issuance of such Subordinate Bonds:

(i) The maximum mill levy which the District promises to impose for payment of the Subordinate Bonds is not higher than 37.5 mills (subject to adjustment for changes in the method of calculating assessed valuation occurring after October 23, 2006), less the mill levy required to be imposed by the District in connection with the Bonds and Parity Bonds.

(ii) The Subordinate Bonds are payable as to both principal and interest on an annual basis, on a date in any calendar year which is after the final principal or Interest Payment Date due in that calendar year on the Bonds.

(f) *District Certification*. A written certificate by the President or Vice President or Treasurer of the District that the conditions for issuance of Additional Bonds set forth herein are met shall conclusively determine the right of the District to authorize, issue, sell, and deliver such Additional Bonds in accordance with the Indenture.

**Events of Default and Remedies**

Events of Default. The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default

under the Indenture (whatever the reason for such event or condition and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, rule, regulation, or order of any court or any administrative or governmental body), and there shall be no default or Event of Default thereunder except as provided below:

(a) The District fails or refuses to impose the Required Mill Levy or to apply or cause to be applied the Pledged Revenue as required by the Indenture;

(b) The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the Indenture or the Bond Resolution, other than as described in paragraph (a) above, and fails to remedy the same after notice thereof pursuant to the Indenture; or

(c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds

It is acknowledged in the Indenture that due to the limited nature of the Pledged Revenue, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default under the Indenture.

Remedies. Upon the occurrence and continuance of an Event of Default, the Trustee shall have the following rights and remedies which may be pursued:

(i) *Receivership.* Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the Indenture to, the Trustee.

(ii) *Suit for Judgment.* The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Act, the Bonds, the Bond Resolution, the Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.

(iii) *Mandamus or Other Suit.* The Trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the Owners.

Notwithstanding anything in the Indenture to the contrary, acceleration of the Bonds shall not be an available remedy for an Event of Default.

## DEBT SERVICE REQUIREMENTS

Set forth in the following charts are the debt service requirements for the Bonds. This table does not include any payments pursuant to the Series 2016B Subordinate Bonds (see "DISTRICT DEBT STRUCTURE – Limited Tax General Obligation Debt") or pursuant to Developer reimbursement agreements described in "THE DISTRICTS – Agreements of the Districts – Funding and Reimbursement Agreements with Developers."

Debt Service Requirements

| Year | Principal[2] | Interest | Total |
|---|---|---|---|
| 2017 | $ -- | | |
| 2018 | -- | | |
| 2019 | -- | | |
| 2020 | -- | | |
| 2021 | 165,000 | | |
| 2022 | 375,000 | | |
| 2023 | 465,000 | | |
| 2024 | 525,000 | | |
| 2025 | 590,000 | | |
| 2026 | 655,000 | | |
| 2027 | 690,000 | | |
| 2028 | 760,000 | | |
| 2029 | 800,000 | | |
| 2030 | 875,000 | | |
| 2031 | 920,000 | | |
| 2032 | 1,005,000 | | |
| 2033 | 1,055,000 | | |
| 2034 | 1,150,000 | | |
| 2035 | 1,205,000 | | |
| 2036 | 1,310,000 | | |
| 2037 | 1,375,000 | | |
| 2038 | 1,485,000 | | |
| 2039 | 1,560,000 | | |
| 2040 | 1,680,000 | | |
| 2041 | 1,765,000 | | |
| 2042 | 1,895,000 | | |
| 2043 | 1,990,000 | | |
| 2044 | 2,135,000 | | |
| 2045 | 2,240,000 | | |
| 2046 | 3,045,000 | | |
| TOTAL[1] | $31,715,000 | | |

(1) Due to rounding, amounts may not total.

(2) Includes the payment of interest on June 1 and December 1 of each year and the payment of principal on December 1 of each year indicated. The principal amounts shown assume mandatory sinking fund payments are made, but assume that no optional redemptions or mandatory excess fund redemptions will be made prior to maturity. See "THE BONDS – Prior Redemption."

Source: The Underwriter.

## PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT

### Ad Valorem Property Taxes

Property Subject to Taxation. Subject to the limitations imposed by Article X, Section 20 of the State constitution (the Taxpayers Bill of Rights or "TABOR," described in "LEGAL MATTERS – Certain Constitutional Limitations"), the Board has the power to certify to the Pitkin County Board of County Commissioners (the "Commissioners") a levy for collection of ad valorem taxes against all taxable property within the District, and the District No. 1 Board has the power to certify to the Commissioners a levy for collection of ad valorem taxes against all taxable property within District No. 1.

Property taxes are uniformly levied against the assessed valuation of all property subject to taxation by the District and District No. 1, respectively. Both real and personal property are subject to taxation, but there are certain classes of property which are exempt. Exempt property includes, but is not limited to: property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; property used for charitable or religious purposes; nonprofit cemeteries; irrigation ditches, canals, and flumes used exclusively to irrigate the owner's land; household furnishings and personal effects not used to produce income; intangible personal property; inventories of merchandise and materials and supplies which are held for consumption by a business or are held primarily for sale; livestock; agricultural and livestock products; and works of art, literary materials and artifacts on loan to a political subdivision, gallery or museum operated by a charitable organization. The State Board of Equalization supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes.

Assessment of Property. Taxable property is first appraised by the Pitkin County assessor (the "County Assessor") to determine its statutory "actual" value. This amount is then multiplied by the appropriate assessment percentage to determine each property's assessed value. The mill levy of each taxing entity is then multiplied by this assessed value to determine the amount of property tax levied upon such property by such taxing entity. Each of these steps in the taxation process is explained in more detail below.

Determination of Statutory Actual Value. The County Assessor annually conducts appraisals in order to determine, on the basis of statutorily specified approaches, the statutory "actual" value of all taxable property within the County based upon its condition on January 1. Most property is valued using a market approach, a cost approach or an income approach. Residential property is valued using the market approach, and agricultural property, exclusive of building improvements thereon, is valued by considering the earning or productive capacity of such lands during a reasonable period of time, capitalized at a statutory rate.

The statutory actual value of a property is not intended to represent its current market value, but, with certain exceptions, is determined by the County Assessor utilizing a "level of value" ascertained for each two-year reassessment cycle from manuals and associated data published by the State Property Tax Administrator for the statutorily-defined period preceding the assessment date. Real property is reappraised by the County Assessor's office

every odd numbered year. The statutory actual value is based on the "level of value" for the period one and one-half years immediately prior to the July 1 preceding the beginning of the two-year reassessment cycle (adjusted to the final day of the data-gathering period). For example, values for levy year 2015 / collection year 2016 are based on an analysis of sales and other information for the period January 1, 2013 to June 30, 2014. The following table sets forth the State Property Appraisal System for property tax levy years 2010 through 2016:

| Collection Year | Levy Year | Value Calculated As Of | Based on the Market Period |
|---|---|---|---|
| 2011 | 2010 | July 1, 2008 | Jan. 1, 2007 to June 30, 2008 |
| 2012 | 2011 | July 1, 2010 | Jan. 1, 2009 to June 30, 2010 |
| 2013 | 2012 | July 1, 2010 | Jan. 1, 2009 to June 30, 2010 |
| 2014 | 2013 | July 1, 2012 | Jan. 1, 2011 to June 30, 2012 |
| 2015 | 2014 | July 1, 2012 | Jan. 1, 2011 to June 30, 2012 |
| 2016 | 2015 | July 1, 2014 | Jan. 1, 2013 to June 30, 2014 |
| 2017 | 2016 | July 1, 2014 | Jan. 1, 2013 to June 30, 2014 |

The County Assessor may consider market sales from more than one and one-half years immediately prior to July 1 if there were insufficient sales during the stated market period to accurately determine the level of value.

Oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals are valued based on production levels rather than by the base year method. Public utilities are valued by the State Property Tax Administrator based upon the value of the utility's tangible property and intangibles (subject to certain statutory adjustments), gross and net operating revenues and the average market value of its outstanding securities during the prior calendar year.

Determination of Assessed Value. Assessed valuation, which represents the value upon which ad valorem property taxes are levied, is calculated by the County Assessor as a percentage of statutory actual value. The percentage used to calculate assessed valuation differs depending upon the classification of each property.

Residential Property. To avoid extraordinary increases in residential real property taxes when the base year level of value is changed, the State constitution requires the Colorado General Assembly to adjust the assessment rate of residential property for each year in which a change in the base year level of value occurs. This adjustment is constitutionally mandated to maintain the same percentage of the aggregate statewide valuation for assessment attributable to residential property which existed in the previous year (although, notwithstanding the foregoing, TABOR prohibits any valuation for assessment ratio increase for a property class without prior voter approval).

Pursuant to the adjustment process described above, the residential assessment rate is adjusted every two years, resulting in the following history of residential assessment rates since levy year 1989: 15.00% of statutory actual value (levy years 1989-90); 14.34% of statutory actual value (levy years 1991-92); 12.86% of statutory actual value (levy years 1993-94); 10.36% of statutory actual value (levy years 1995-96); 9.74% of statutory actual value (levy years 1997-98 and 1999-2000); 9.15% of statutory actual value (levy years 2001-02); and 7.96% of statutory actual value (levy years 2003-15). In December 2015, the Colorado Legislative

Council (the research division of the Colorado General Assembly) projected that the residential assessment rate will decrease to 7.78% in levy year 2017. This projection is only an estimate, however, and is subject to change. The residential assessment rate cannot increase without the approval of Colorado voters.

Non-residential property. All non-residential taxable property, with certain specified exceptions, is assessed at 29% of its statutory actual value. Producing oil and gas property is generally assessed at 87.5% of the selling price of the oil and gas.

Protests, Appeals, Abatements and Refunds. Property owners are notified of the valuation of their land or improvements, or taxable personal property and certain other information related to the amount of property taxes levied, in accordance with statutory deadlines. Property owners are given the opportunity to object to increases in the statutory actual value of such property, and may petition for a hearing thereon before the County Board of Equalization. Upon the conclusion of such hearings, the County Assessor is required to complete the assessment roll of all taxable property and, no later than August 25th each year, prepare an abstract of assessment therefrom. The abstract of assessment and certain other required information is reviewed by the State Property Tax Administrator prior to October 15th of each year and, if necessary, the State Board of Equalization orders the County Assessor to correct assessments. The valuation of property is subject to further review during various stages of the assessment process at the request of the property owner, by the State Board of Assessment Appeals, the State courts or by arbitrators appointed by the Commissioners. On the report of an erroneous assessment, an abatement or refund must be authorized by the Commissioners; however, in no case will an abatement or refund of taxes be made unless a petition for abatement or refund is filed within two years after January 1 of the year in which the taxes were levied. Refunds or abatements of taxes are prorated among all taxing entities which levied a tax against the property.

Statewide Review. The Colorado General Assembly is required to cause a valuation for assessment study to be conducted each year in order to ascertain whether or not county assessors statewide have complied with constitutional and statutory provisions in determining statutory actual values and assessed valuations for that year. The final study, including findings and conclusions, must be submitted to the Colorado General Assembly and the State Board of Equalization by September 15th of the year in which the study is conducted. Subsequently, the Board of Equalization may order a county to conduct reappraisals and revaluations during the following property tax levy year. Accordingly, the Districts' assessed valuations may be subject to modification following any such annual assessment study.

Homestead Property Tax Exemption. The Colorado Constitution provides property tax exemptions for qualifying senior citizens (adopted in 2000) and for disabled veterans (adopted in 2006). The senior citizen provision provides that for property tax collection years 2007 and later (except that the exemption was suspended for collection years 2009-12), the exemption is equal to 50% of the first $200,000 of actual value of residential real property that is owner-occupied if the owner or his or her spouse is 65 years of age or older and has occupied such residence for at least 10 years. The disabled veterans provision provides that for property tax collection years 2008 and later, the same exemption is available to homeowners who have served on active duty in the U.S. Armed Forces and who are rated 100% permanently disabled

by the federal government due to a service-connected disability. The State is required to reimburse all local governments for the reduction in property tax revenue resulting from these exemptions; therefore, it is not expected that this exemption will result in the loss of any property tax revenue to the Districts. There is no assurance, however, that the State reimbursement will be received in a time period which is sufficient to replace the reduced property tax revenue.

Taxation Procedure. The County Assessor is required to certify to each District the preliminary assessed valuation of property subject to such District's mill levy no later than August 25th of each year. Preliminary assessed valuations are subject to change on or before December 10, 2016. Subject to the limitations of TABOR, based upon the valuation certified by the County Assessor, the Boards compute a rate of levy which, when levied upon every dollar of the valuation for assessment of property subject to the applicable District's property tax, and together with other legally available revenues, will raise the amount required by each Taxing District in its upcoming fiscal year. The Districts subsequently certify to the Commissioners the rate of levy sufficient to produce the needed funds. Such certification must be made no later than December 15th of the property tax levy year for collection of taxes in the ensuing year. The property tax rate is expressed as a mill levy, which is the rate equivalent to the amount of tax per one thousand dollars of assessed valuation. For example, a mill levy of 25 mills would impose a $250 tax on a parcel of property with an assessed valuation of $10,000.

The Commissioners levy each District's tax on all property subject to taxation by the applicable District. By December 22nd of each year, the Commissioners must certify to the County Assessor the levy for all taxing entities within the County. If the Commissioners fail to so certify, it is the duty of the County Assessor to extend the levies of the previous year. Further revisions to the assessed valuation of property may occur prior to the final step in the taxing procedure, which is the delivery by the County Assessor of the tax list and warrant to the County's treasurer (the "County Treasurer").

Adjustment of Taxes to Comply with Certain Limitations. Section 29-1-301, C.R.S., contains a statutory restriction limiting the property tax revenues which may be levied for operational purposes to an amount not to exceed the amount of such revenue levied in the prior year plus 5.5% (subject to certain statutorily authorized adjustments). At elections held in 2004, however, each District's electors approved a question which exempts the Districts from this restriction.

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in December 2015 are being collected in 2016. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or in two equal installments (not later than the last day of February and June 15th) without interest or penalty. Interest accrues on unpaid first installments at the rate of 1% per month from March 1 until the date of payment unless the whole amount is paid by April 30. If the second installment is not paid by June 15, the unpaid installment will bear interest at the rate of 1% per month from June 16 until the date of payment. Notwithstanding the foregoing, if the full amount of taxes is to be paid in a single payment after the last day of April and is not so paid, the unpaid taxes will bear penalty interest at the rate of 1% per month accruing from the first day of May until the date of payment. The County Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and

after deducting a statutory fee for such collection, remits the balance to the Districts on a monthly basis. The payments to the Districts must be made by the tenth of each month, and shall include all taxes collected through the end of the preceding month.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed from January 1st of the property tax levy year until paid. Such lien is on a parity with the tax liens of other general taxes. It is the County Treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of the tax lien on such realty. Delinquent personal property taxes are enforceable by distraint, seizure, and sale of the taxpayer's personal property. Tax sales of tax liens on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending public sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale. There can be no assurance that the proceeds of tax liens sold, in the event of foreclosure and sale by the County Treasurer, would be sufficient to produce the amount required with respect to property taxes levied by the Districts and property taxes levied by overlapping taxing entities, as well as any interest or costs due thereon. Further, there can be no assurance that the tax liens will be bid on and sold. If the tax liens are not sold, the County Treasurer removes the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed. When any real property has been stricken off to the County and there has been no subsequent purchase, the taxes on such property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and they may be canceled by the Commissioners after that time.

**Ad Valorem Property Tax Data**

A ten-year history of the Districts' certified assessed valuations is set forth in the following table.

Assessed Valuations for the Districts

| Levy/ Collection Year | District No. 1 | District No. 2 | Total | Percent Change |
|---|---|---|---|---|
| 2007/2008 | $2,087,650 | $16,794,930 | $18,882,580 | -- |
| 2008/2009 | 2,087,650 | 22,457,460 | 24,545,110 | 30.0% |
| 2009/2010 | 4,446,140 | 37,635,780 | 42,081,920 | 71.4 |
| 2010/2011 | 4,052,350 | 40,643,900 | 44,696,250 | 6.2 |
| 2011/2012 | 4,099,170 | 32,925,410 | 37,024,580 | (17.2) |
| 2012/2013 | 3,604,940 | 32,201,150 | 35,806,090 | (3.3) |
| 2013/2014 | 2,874,520 | 35,695,930 | 38,570,450 | 7.7 |
| 2014/2015 | 2,858,120 | 37,167,320 | 40,025,440 | 3.8 |
| 2015/2016 | 2,634,480 | 36,994,950 | 39,629,430 | (1.0) |
| 2016/2017[(1)] | 2,580,880 | 36,709,830 | 39,290,710 | (0.9) |

(1) Figures represent 2016 preliminary assessed valuation and are subject to change on or before December 10, 2016.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, *Annual Reports*, 2007-2015; and Pitkin County Assessor's Office.

A five-year history of the Districts' mill levies are set forth in the following table.

Mill Levies for the Districts

| | District No. 1 | District No. 2 | | |
|---|---|---|---|---|
| Levy/ Collection Year | General Fund | General Fund | Debt Service Fund | Total |
| 2011/2012 | 43.500 | 6.000 | 37.500 | 43.500 |
| 2012/2013 | 43.500 | 6.000 | 37.500 | 43.500 |
| 2013/2014 | 43.500 | 6.000 | 37.500 | 43.500 |
| 2014/2015 | 43.500 | 6.000 | 37.500 | 43.500 |
| 2015/2016 | 43.500 | 6.000 | 37.500 | 43.500 |

Source: State of Colorado, Department of Local Affairs, Division of Property Taxation, *Annual Reports*, 2011-2015.

The following table sets forth the history of the Districts' ad valorem property tax collections for the time periods indicated.

Property Tax Collections in the Districts

| | District No. 1 | | | District No. 2 | | |
|---|---|---|---|---|---|---|
| Levy/ Collection Year | Taxes Levied[(1)] | Current Tax Collection[(2)] | Collection Rate | Taxes Levied[(1)] | Current Tax Collection[(2)] | Collection Rate |
| 2010/2011 | $176,277 | $ 176,277 | 100.00% | $1,768,010 | $1,768,010 | 100.00% |
| 2011/2012 | 178,314 | 163,165 | 91.50[(4)] | 1,432,255 | 1,317,137 | 91.96[(4)] |
| 2012/2013 | 156,815 | 155,127 | 98.92 | 1,400,750 | 1,394,022 | 99.52 |
| 2013/2014 | 125,042 | 123,735 | 98.95 | 1,552,773 | 1,552,773 | 100.00 |
| 2014/2015 | 124,328 | 124,328 | 100.00 | 1,616,778 | 1,616,778 | 100.00 |
| 2015/2016[(3)] | 114,600 | 114,600 | 100.00 | 1,609,280 | 1,582,764 | 98.35 |

(1) Levied amounts do not reflect abatements or other adjustments.
(2) The County Treasurer's collection fee has not been deducted from these amounts. Figures do not include interest, fees and penalties.
(3) Collections as of August 31, 2016.
(4) In collection year 2012, a total of $128,628 of tax abatements was granted to the Prior Developer due to its protests of the property assessed valuations. The abatements resulted in a reduced property tax collection rate in 2012.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, *Annual Reports*, 2011-2015; and Pitkin County Treasurer's Office.

Based upon the most recent information available from the County Assessor's Office, the following two tables set forth the ten largest taxpayers within each of the Districts. No independent investigation has been made of and consequently there can be no representation as to the financial conditions of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the Districts.

## Ten Largest Owners of Taxable Property within District No. 1

| Taxpayer Name | 2016 Preliminary Assessed Valuation | Percentage of Total Assessed Valuation[1] |
|---|---|---|
| Snowmass Acquisition Company LLC[2] | $1,987,700 | 77.02% |
| Aspen Skiing Company LLC[3] | 453,480 | 17.57 |
| Ajax Holdings M & M LLC | 53,680 | 2.08 |
| Clarks Express LLC | 45,470 | 1.76 |
| Obos Enterprises LLC | 13,860 | 0.54 |
| Forum Financial Services Inc. | 5,740 | 0.22 |
| Snowmass Hospitality LLC | 4,520 | 0.18 |
| Holy Cross Electric Assn | 4,340 | 0.17 |
| Eco Steam Wash | 4,180 | 0.16 |
| Aspen Sports | 4,000 | 0.15 |
| Total | $2,576,970 | 99.85% |

(1) Based on a 2016 preliminary assessed valuation of $2,580,880 which is subject to change on or before December 10, 2016.
(2) Constitutes the Prior Developer.
(3) Constitutes the owner of Snowmass Ski Resort, the owner and tenant of various retail properties in District No. 1 and a member of the joint venture which constitutes the Developer.

Source: Pitkin County Assessor's Office.

## Ten Largest Owners of Taxable Property within District No. 2

| Taxpayer Name | 2016 Preliminary Assessed Valuation | Percentage of Total Assessed Valuation[1] |
|---|---|---|
| Snowmass Acquisition Company LLC[2] | $22,123,080 | 60.27% |
| Aspen Skiing Company LLC[3] | 2,356,050 | 6.42 |
| Brush Creek Land Company LLC[3] | 2,035,310 | 5.54 |
| Longshot Snowmass LLC | 330,760 | 0.90 |
| Snowmass Lane Investments LLC | 199,120 | 0.54 |
| Aspen Snowmass Clear Holdings LLC | 198,310 | 0.54 |
| KANDRJJR, LLC | 192,750 | 0.53 |
| Skyfall LLC | 161,720 | 0.44 |
| Residence Owner #1 | 137,410 | 0.37 |
| Woodson Sweeney Viceroy LLC | 136,260 | 0.37 |
| Total | $27,870,770 | 75.92% |

(1) Based on a 2016 preliminary assessed valuation of $36,709,830 which is subject to change on or before December 10, 2016.
(2) Constitutes the Prior Developer.
(3) Aspen Skiing Company LLC is the owner of Snowmass Ski Resort, the owner and tenant of various retail properties in District No. 2 and a member of the joint venture which constitutes the Developer. Brush Creek Land Company LLC owns the Fanny Hill Site. This entity is owned by the Aspen Skiing Company.

Source: Pitkin County Assessor's Office.

The following table sets forth the assessed valuations of specific classes of real and personal property within the Districts based upon the Districts' 2016 preliminary assessed valuations. As shown below, residential property account for the largest percentage of the Districts' assessed valuations, and therefore it is anticipated that owners of residential property will pay the largest percentage of ad valorem property taxes levied by the Districts.

2016 Preliminary Assessed Valuation of Classes of Property in the Districts

| | District No. 1 | | District No. 2 | |
|---|---|---|---|---|
| Property Class | Total Assessed Valuation[(1)] | Percentage of Total Assessed Valuation | Total Assessed Valuation[(1)] | Percentage of Total Assessed Valuation |
| Residential | -- | -- | $17,759,500 | 48.38% |
| Commercial | $2,576,140 | 99.82% | 11,624,720 | 31.67 |
| Vacant | -- | -- | 7,230,260 | 19.69 |
| State Assessed | 4,740 | 0.18 | 95,350 | 0.26 |
| Total | $2,580,880 | 100.00% | $36,709,830 | 100.00% |

(1) Valuations are 2016 preliminary values and are subject to change on or before December 10, 2016.

Source: Pitkin County Assessor's Office.

**Mill Levies Affecting Property Owners Within the Districts**

In addition to each District's ad valorem property tax levy, owners of property within the Districts are obligated to pay taxes to other taxing entities in which their property is located. As a result, property owners within the Districts' boundaries may be subject to different mill levies depending upon the location of their property. The following table sets forth mill levies that are imposed on properties within the Districts.

Mill Levies Affecting Property Owners Within the Districts – 2015

| Taxing Entity | Mill Levy[1] |
|---|---|
| Town of Snowmass Village | 9.236 |
| Aspen School District RE-1 | 9.111 |
| Snowmass-Wildcat Fire Protection District | 7.494 |
| Pitkin County | 7.274 |
| Snowmass Village General Improvement District No. 1 | 6.000 |
| Colorado Mountain College | 3.997 |
| Aspen Valley Hospital District | 2.819 |
| Snowmass Water and Sanitation District | 2.414 |
| Pitkin County Library District | 1.359 |
| Aspen Historic Park and Recreation District | 0.300 |
| Colorado River Water Conservation District | 0.243 |
| Total Overlapping Sample Mill Levy | 50.247 |
| District No. 1 or District No. 2[2] | 43.500 |
| Total Sample Mill Levy | 93.747 |

(1) One mill equals 1/10 of one percent. Mill levies certified in 2015 result in the collection of property taxes in 2016.

(2) District No. 1 and District No. 2 imposed the same mill levy of 43.500 mills in 2015.

Source: Pitkin County Assessor's Office.

**Estimated Overlapping General Obligation Debt**

In addition to the general obligation indebtedness of the Districts, other taxing entities overlap or partially overlap the boundaries of the Districts. The following table sets forth those taxing entities which currently pay their general obligation debt directly from a mill levy assessed against property within the Districts' boundaries. The table reflects the outstanding general obligation debt of the other taxing entities as of the date of this Limited Offering Memorandum.

Estimated Overlapping General Obligation Indebtedness

| Entity[1] | 2016 Preliminary Assessed Valuation[2] | Outstanding General Obligation Debt | Outstanding General Obligation Debt Attributable to the Districts | |
|---|---|---|---|---|
| | | | Percent[3] | Amount |
| Aspen School District RE-1 | $2,737,718,190 | $46,730,000 | 1.44% | $ 672,912 |
| Aspen Valley Hospital District | 2,917,646,760 | 50,120,000 | 1.35 | 676,620 |
| Pitkin County | 2,945,572,500 | 14,740,000 | 1.33 | 196,042 |
| Town of Snowmass Village | 489,882,230 | 4,600,000 | 8.02 | 368,920 |
| Total | | | | $1,914,494 |

(1) The following entities also overlap with the Districts but they have no reported general obligation debt outstanding: Aspen Historic Park and Recreation District; Colorado Mountain College; Colorado River Water Conservation District; Pitkin County Library District; Snowmass Village General Improvement District No. 1; Snowmass Water and Sanitation District; and Snowmass-Wildcat Fire Protection District.

(2) The 2016 preliminary assessed valuation figure are subject to change on or before December 10, 2016. The final valuations will be certified by the County Assessors for collection of ad valorem property taxes in 2017.

(3) The percentage of each entity's outstanding debt chargeable to Districts' property owners is calculated by comparing the assessed valuation of the portion overlapping the Districts to the total assessed valuation of the overlapping entity. To the extent the Districts' assessed valuation changes disproportionately with the assessed valuation of the overlapping entities, the percentage of debt for which District property owners are responsible will also change.

Sources: Pitkin County Assessor's Office; and individual taxing entities.

## DISTRICT DEBT STRUCTURE

### Required Elections

Various State constitutional and statutory provisions require voter approval prior to the incurrence of general obligation indebtedness by the Districts. Among such provisions, Article X, Section 20 of the Colorado Constitution (the Taxpayers Bill of Rights, or "TABOR") requires that, except for refinancing bonded debt at a lower interest rate, each Taxing District must have voter approval in advance for the creation of any multiple-fiscal year direct or indirect district debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. For a discussion of TABOR, see "LEGAL MATTERS – Certain Constitutional Limitations." For a discussion of the debt elections of the Districts, see "General Obligation Debt" and "Authorized but Unissued Debt" under this caption. The issuance of the Bonds was approved by the electors of the District at the District No. 2 Elections (defined below) and the obligations of District No. 1 under the Capital Pledge Agreement were approved by the electors of District No. 1 at the District No. 1 Elections (defined below).

**General Obligation and Limited Tax General Obligation Debt**

Statutory Debt Limit. The Districts are subject to a statutory debt limitation established pursuant to section 32-1-1101(6), C.R.S. This limitation provides that, with certain exceptions listed below, the total principal amount of general obligation debt issued by a special district after 1991 shall not at the time of issuance exceed the greater of $2 million or 50% of the special district's assessed valuation. Based upon the District's 2016 preliminary certified assessed valuation of $36,709,830, the District's debt limitation is $18,354,915. The Bonds will exceed this amount, but are permitted to be issued because they qualify for an exception from the debt limitation statute. Based upon District No. 1's 2016 preliminary certified assessed valuation of $2,580,880, District No. 1's debt limitation is $1,290,440. District No. 1's obligations under the Capital Pledge Agreement will exceed this amount, but the Capital Pledge Agreement is permitted to be entered into by District No. 1 because it also qualifies for an exception from the debt limitation statute. Exceptions from the debt limitation statute include obligations which are: rated in certain rating categories; determined by the board of the special district to be necessary to construct improvements ordered by a federal or state regulatory agency for public health or environmental reasons; secured by a letter of credit, line of credit or other credit enhancement issued by certain qualified financial institutions; or issued to financial institutions or institutional investors. Special districts are also permitted to issue general obligation debt above the statutory debt limit if such debt is payable from a limited mill levy not exceeding fifty mills.

Outstanding Obligations.

*The District*. On December 20,[*] 2016, the District expects to issue the Bonds and, together with District No. 1, enter into the Capital Pledge Agreement. The District also expects to issue its Subordinate Limited Tax General Obligation Refunding Bonds, Series 2016B (the "Series 2016B Subordinate Bonds"). The Series 2016B Subordinate Bonds constitute subordinate "cash flow" (meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest payments not paid when due will accrue and compound until sufficient revenue is available for payment) limited tax general obligations of the District payable solely from and to the extent of the "Subordinate Pledged Revenue," which is defined in the Indenture of Trust for the Series 2016B Subordinate Bonds as, generally, ad valorem property taxes in a limited amount levied by the District; certain specific ownership tax revenue; and Capital Facility Fees. *The pledge of all of such revenue sources is subordinate to the pledge thereof to the Bonds, and the limitation on ad valorem property taxes pledged to the Series 2016B Subordinate Bonds is different than the limitation on such taxes pledged to the Bonds.* Principal is due on the Series 2016B Subordinate Bonds on each December 15 only to the extent Subordinate Pledged Revenue is available therefor, commencing December 15, 2017. The Series 2016B Subordinate Bonds will bear interest at the rate of [___]%. The Series 2016B Subordinate Bonds are expected to be purchased in their entirety by [_____].

Upon issuance of the Bonds and the Series 2016B Subordinate Bonds, the Bonds and the Series 2016B Subordinate Bonds will be the only outstanding obligations of the District. The debt service schedule for the Bonds is set forth in "DEBT SERVICE REQUIREMENTS." As "cash flow" obligations, the Series 2016B Subordinate Bonds do not have a debt service

[*] Subject to change.

schedule; however, the forecasted repayment of the Series 2016B Subordinate Bonds, based upon development assumptions and other assumptions, is contained in the Cash Flow Forecast attached as Appendix C on page 27.

*District No. 1*. Upon execution and delivery of the Capital Pledge Agreement, the Capital Pledge Agreement will be the only outstanding debt obligations of District No. 1. See "SECURITY FOR THE BONDS – Capital Levy Revenue." In addition, District No. 1 will owe amounts to the [Developer] under the Omnibus Reimbursement Agreement. District No. 1's obligations under this agreement do not constitute a debt under State law and are subject to annual appropriation by the District No. 1 Board. See "THE DISTRICT – Agreements of the District – Omnibus Reimbursement Agreement."

**Authorized but Unissued Debt**

The District. The District's ability to issue additional debt is limited by the electoral authorization obtained from the District's electors, the Service Plan, the Indenture and the Capital Pledge Agreement.

*District Elections*. At elections held on November 2, 2004, November 7, 2006 and November 6, 2007 (the "District No. 2 Elections"), the District's eligible electors authorized the District to issue up to $107,500,000 in general obligation debt for public infrastructure and [_____]. After issuing prior debt, the Bonds and the Series 2016B Subordinate Bonds, approximately $[_____]* of the authorization for public infrastructure will remain unissued, and $[_____] of the [_____] authorization will remain unissued. The Board currently has no plans to seek voter approval for general obligation indebtedness in excess of this amount.

*Indenture Limitations*. The Indenture limits the District's ability to issue additional debt as described in "SECURITY FOR THE BONDS – Additional Bonds."

*Capital Pledge Agreement Limitations*. The Capital Pledge Agreement states that (a) District No. 1 will not issue or incur bonds, notes, or other obligations payable in whole or in part from, or constituting a lien upon, the Capital Levy Revenue; and (b) District No. 2 shall not, without the prior written consent of District No. 1, issue any (i) Senior Parity Obligations (which term has the definition of "Parity Bonds" in the Indenture) or (ii) additional debt which involves a financial obligation of District No. 1.

*Service Plan Limitation*. Notwithstanding the general obligation bond authorization under the District No. 2 Elections, pursuant to the Service Plan the Districts are not permitted to issue debt in excess of $48,700,000. After the issuance of the Bonds, $950,000 of this authorization will remain unissued.

District No. 1. District No. 1's ability to issue additional debt is limited by the electoral authorization obtained from District No. 1's electors, the Service Plan and the Capital Pledge Agreement. These limitations are described below.

* Subject to change.

*District No. 1 Elections*. At elections held on November 2, 2004, November 7, 2006 and November 6, 2007 (the "District No. 1 Elections"), District No. 1's eligible electors authorized District No. 1 to issue up to $[_____] in general obligation debt for public infrastructure and [_____]. After issuing prior debt and entering into the Capital Pledge Agreement, approximately $[_____]* of the authorization for public infrastructure will remain unissued, and $[_____] of the [_____] authorization will remain unissued. The District No. 1 Board currently has no plans to seek voter approval for general obligation indebtedness in excess of this amount.

*Capital Pledge Agreement Limitations*. District No. 1 is subject to the limitations described above under "The District – Capital Pledge Agreement Limitations."

*Service Plan Limitation*. District No. 1 is subject to the same limitations described above pertaining to the District.

**Revenue and Other Financial Obligations**

The Districts also have the authority to issue revenue obligations payable from the net revenue of their facilities, to enter into obligations which do not extend beyond the current fiscal year, and to incur certain other obligations. Other than the obligations of the Districts described in "THE DISTRICTS – Agreements of the Districts," the Districts presently have no such obligations outstanding.

**Selected Debt Ratios**

The following table sets forth ratios of direct debt of the Districts (after giving effect to the issuance of the Bonds) and overlapping debt within the Districts (only for those entities which currently pay their general obligation debt through a mill levy assessed against property within the Districts) to the 2016 preliminary certified assessed valuation and statutory actual value of the Districts:

## Selected Debt Ratios of the District as of the Date of this Limited Offering Memorandum (Unaudited)*

| | |
|---|---|
| Direct Debt of the Districts[(1)] | $31,715,000* |
| Overlapping Debt [(2)] | 1,914,494 |
| Total Direct Debt and Overlapping Debt | $33,629,494 |
| | |
| 2016 Preliminary Certified Assessed Valuation of the Districts[(3)] | $39,290,710 |
| Ratio of Direct Debt to 2016 Preliminary Certified Assessed Valuation | 80.7% |
| Ratio of Direct Debt Plus Overlapping Debt to 2016 Preliminary Certified Assessed Valuation | 85.6% |
| | |
| 2016 Preliminary Statutory "Actual" Value of the Districts[(4)] | $297,354,848 |
| Ratio of Direct Debt to 2016 Preliminary Statutory "Actual" Value | 10.7% |
| Ratio of Direct Debt Plus Overlapping Debt to 2016 Preliminary Statutory "Actual" Value | 11.3% |

(1) Consists only of the Bonds; does not include the Series 2016B Subordinate Bonds.

(2) Figure is estimated based on information supplied by other taxing authorities and does not include self-supporting general obligation debt. See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Estimated Overlapping General Obligation Debt" and the footnote regarding the type of overlapping debt which is included.

(3) Consists of $2,580,880 of 2016 preliminary assessed valuation of District No. 1 and $36,709,830 of 2016 preliminary assessed valuation of District No. 2 (as of August 25, 2016, and subject to change on or before December 10, 2016).

(4) Consists of $8,899,586 of 2016 statutory "actual" value of District No. 1 and $288,455,262 of 2016 statutory "actual" value of District No. 2 (as of August 25, 2016, and subject to change on or before December 10, 2016). This figure has been calculated using a statutory formula under which assessed valuation is calculated at 7.96% of the statutory "actual" value of residential property within the Districts, and 29% of the statutory "actual" value of other property within the Districts (with certain specified exceptions). Statutory "actual" value is not intended to represent market value. See "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT – Ad Valorem Property Taxes."

Sources: County Assessor's Office, the District, and information obtained from individual overlapping entities.

* Subject to change.

## THE DISTRICTS

### Organization and Description

General. The District are special districts formed pursuant to Title 32, Article 1, Colorado Revised Statutes ("C.R.S.") (the "Special District Act"). Each of the Districts was formed on December 10, 2004, pursuant to an Order and Decree of the Pitkin County District Court. Each Order and Decree was recorded with the Pitkin County Clerk and Recorder on December 27, 2004. Formation of the Districts was preceded by the approval by the Town of a Service Plan dated September 1, 2004, as amended and restated on October 17, 2006 (as amended and restated, the "Service Plan").

In accordance with the Service Plan, District No. 1 is designated as the "Service District" and District No. 2 is designated as the "Financing District." As the Service District, District No. 1 is responsible for managing the construction, acquisition and operation of public improvements, and as the Financing District, District No. 2 is responsible for providing the tax base for operational and debt service requirements. In addition, District No. 1 contains only non-residential property and District No. 2 contains both residential and non-residential property.

Description, Location and Maps. The Districts are located in the Town at the base of Snowmass Ski Resort ("Snowmass"). The Town is located in the western part of the State of Colorado (the "State") approximately eight miles west of Aspen, Colorado and approximately 170 miles southwest of Denver, Colorado. The population of the Town is 2,863 as of July 2015.

Functions and Services Provided by the Districts. Since the formation of the Districts, the Districts have financed the construction various public improvements described herein and have financed the purchase of a fire truck for the Wildcat/Snowmass Fire Protection District. In addition, District No. 1 owns and operates the Conference Center; operates the Transit Center located in the Main Parking Garage; and possesses an easement to, and operates, the public portions of the Main Parking Garage, which consists of approximately 242 parking spaces. The "Conference Center" is an approximately 16,000 square foot conference center located in Building 2A which is used by the Districts, the Master Association, homeowners associations and the general public. The "Main Parking Garage" is a 614-space parking garage used by the general public and by the residents and retail tenants of Base Village. See "THE DEVELOPMENT – Parking." The "Transit Center" consists of offices and dedicated space within the Main Parking Garage for use by the Town as part of its public bus transportation system. The Developer is contemplating recording a condominium map of the Main Parking Garage pursuant to which District No. 1 would become the owner of the approximately 242 spaces within the Main Parking Garage. **[expected timing?]**

District Boundaries. The Districts together contain the property which comprises the site of the "Base Village" development in the Town ("Base Village" or the "Development"). District No. 2 includes additional property not within the Development as explained below. The Districts approved certain inclusions and exclusions in 2007 and 2008, resulting in their current boundaries. District No. 1 expects to approve an additional inclusion in 2016 prior to the issuance of the Bonds, as explained below.

*Current Boundaries.* The property within District No. 2 currently consists of: (a) the approximately 19 acres of property which comprise the Development (minus the Current District No. 1 Property described below); (b) approximately 1.9 acres constituting Parcel 7 in the neighboring Woodrun subdivision (the "Fanny Hill Site" described in "THE DEVELOPMENT – Fanny Hill Site"); (c) approximately 5.8 acres of nontaxable wetlands property owned by the Town; and (d) approximately 3.3 acres of nontaxable street rights-of-way owned by the Town.

The Development plan calls for, generally, the non-residential property in the Development (consisting of air space commercial condominium units) to be located within District No. 1 and all other property in the Development (in addition to the other areas listed in (b), (c) and (d) in the preceding paragraph) to be located in District No. 2. Accordingly, in 2008, District No. 1 included the following property within its boundaries (defined as the "Current District No. 1 Property"): (a) 8 commercial condominium units in Building 2A; (b) 5 commercial condominium units in Building 2B; (c) 1 commercial condominium unit in Building 2C; (d) 8 commercial condominium units in Building 3; (e) 6 commercial condominium units in Building 4; (f) certain airspace within the Main Parking Garage under Partially Completed Building 5; and (g) a storage unit in the Main Parking Garage. The effect of this inclusion was to include within District No. 1 the commercial air space condominium units located within the Completed Buildings. **[General counsel to confirm the foregoing]**

*Planned Future Boundaries.* In order to accomplish the inclusion of air space commercial condominium units which are planned to be located in the Partially Completed Buildings and the Remaining Planned Buildings but do not yet exist, prior to the issuance of the Bonds, District No. 1 expects to approve and record an additional inclusion of property (the "Additional District No. 1 Property") which will consist of, generally, the air space commercial condominium units planned to be located within Buildings 4, 5, 6, 7, 8 and 10A.

Pursuant to the 2016 Inclusion Order, the area to be included shall consist initially of that volume of area described in terms of a metes and bounds description of the applicable floor area, together with floor and ceiling heights associated therewith (but exclusive of the underlying taxable real estate parcel, which shall remain in District No. 2 pending recording of subsequent condominium maps. The initial descriptions of such portions of the property to be included will be superseded by the description contained in one or more condominium maps recorded at the time each building is constructed. No property will be included within District No. 1 until construction occurs, at which time the inclusion described above and the eventual superseding of that area by the condominium map will occur automatically.

At such time as the Partially Completed Buildings and Remaining Planned Buildings are completed, it is the expectation of the District that District No. 1 shall be comprised of all of the commercial property described in the table "Completed, Partially Completed and Planned Buildings in the Development" in "THE DEVELOPMENT" below. There is no assurance, however, that the Partially Completed Buildings or the Remaining Planned Buildings will be constructed in the timeframe described herein or at all, or that the configuration of such buildings between residential and non-residential property will not be changed. The design and configuration of the Partially Completed Buildings and Remaining Planned Buildings, however, has been established by the Amended PUD. Variations therefrom

can only occur as permitted by the Amended PUD or pursuant to a future amendment of the Amended PUD. See "THE DEVELOPMENT – Land Entitlements and Public Approvals."

**Inclusion, Exclusion, Consolidation and Dissolution**

Inclusion of Property. The Special District Act provides that the boundaries of a special district may be altered by the inclusion of additional real property under certain circumstances. After its inclusion, the included property is subject to all of the taxes and charges imposed by the special district and shall be liable for its proportionate share of existing bonded indebtedness of the special district. Under the Service Plan, the Districts are not permitted to include any property outside of their initial combined boundaries without the prior written consent of the Town Council.

Exclusion of Property. The Special District Act provides that the boundaries of a special district also may be altered by the exclusion of real property from the District under certain circumstances. After its exclusion, the excluded property is no longer subject to the special district's operating mill levy, and is not subject to any debt service mill levy for new debt issued by the special district. The excluded property, however, remains subject to the special district's debt service mill levy for that proportion of the special district's outstanding indebtedness and the interest thereon existing immediately prior to the effective date of the exclusion order.

Consolidation With Other Districts. Two or more special districts may consolidate into a single district upon the approval of the District Court and of the electors of each of the consolidating special districts. The District Court order approving the consolidation can provide that the consolidated district assumes the debt of the districts being consolidated. If so, separate voter authorization of the debt assumption is required. If such authorization is not obtained, then the territory of the prior district will continue to be solely obligated for the debt after the consolidation. At the present time, no consolidations with other districts are pending or expected.

Dissolution of the District. The Special District Act allows a special district board of directors to file a dissolution petition with the District Court. The District Court must approve the petition if the special district's plan for dissolution meets certain requirements, generally regarding the continued provision of services to residents and the payment of outstanding debt. Dissolution must also be approved by the special district's voters. If the special district has debt outstanding, the district may continue to exist for only the limited purpose of levying its debt service mill levy and discharging the indebtedness.

**District Powers**

The rights, powers, privileges, authorities, functions and duties of the Districts are established by the laws of the State, particularly the Special District Act, which provides that the Boards have certain powers including, but not limited to, the power: to have perpetual existence; to sue and be sued; to enter into contracts and agreements; to incur indebtedness and revenue obligations; to acquire, dispose of, and encumber real and personal property; to have the management, control, and supervision of all the business and affairs of the special district and all

construction, installation, operation, and maintenance of special district improvements; to appoint, hire, and retain agents, employees, engineers, and attorneys; to fix and from time to time increase or decrease fees, rates, tolls, penalties or charges for services, programs or facilities furnished by or available from the Districts, and to pledge such revenue for the payment of any indebtedness of the Districts; to furnish services and facilities without the boundaries of the special district and to establish fees, rates, tolls, penalties, or charges for such services and facilities; to have and exercise all rights and powers necessary or incidental to or implied from the specific powers granted to special districts by statute; to enter into contracts with public utilities, cooperative electric associations and municipalities for the purpose of providing street lighting service; to erect and maintain, in providing safety protection services, traffic and safety controls and devices; to finance line extension charges for new telephone construction in non-residential special districts; to establish, maintain, and operate a system to transport the public by bus, rail, or any other means of conveyance; and to exercise the power of eminent domain and dominant eminent domain for the special district's authorized purposes. In addition, the Boards have the power to furnish security services for any area within each District, if such District has provided written notification to, consulted with, and obtained the written consent of all local law enforcement agencies having jurisdiction within the area and any applicable master association or similar body having authority to furnish security services. The Boards are further authorized to furnish covenant enforcement and design review services, subject to the terms of an agreement with any applicable master association or if acting as the enforcement agent with respect to recorded covenants. The Districts do not currently provide any security or covenant enforcement services.

**Governing Board**

The District is governed by a board of directors (the "Board") which, pursuant to State law, consists of five members, and District No. 1 is governed by a board of directors (the "District No. 1 Board" and together with the Board, the "Boards") which, pursuant to State law, consists of five members. The members of the Boards are currently identical. There is no guarantee that the boards will have identical members in the future. In order to be eligible for nomination to the Boards, prospective Board members must be eligible electors of the District or District No. 1, as applicable, as defined by State law. Directors are elected to staggered four year terms of office at successive biennial elections. Vacancies on the Boards are filled by appointment of the remaining directors, the appointee to serve until the next regular election, at which time the vacancy is filled by election for any remaining unexpired portion of the term. The directors hold regular meetings (currently on the fourth Wednesday of every month) and, as needed, special meetings. Each director is entitled to one vote on all questions before the Boards when a quorum is present. Directors do not currently receive compensation from the Districts for attending meetings. Directors may not receive compensation from the Districts as employees of the Districts, except as authorized by State law. Pursuant to the State constitution, directors are limited to two terms in office unless the special district's voters have approved a waiver or modification of this limit. At the elections held in 2004, the District's and District No. 1's electors approved election questions which exempt the District and District No. 1 from State constitutional term limitations.

Current Board. The present directors, their positions on the Boards, occupations and terms of office are as follows:

| Name | Office | Occupation | Years of Experience | Current Term Exp. (May) |
|---|---|---|---|---|
| Matt Foley | President | Dir. of Commercial Leasing[(1)] | 4 | 2020 |
| Leticia Hanke | Treasurer | Director of Marketing[(1)] | 0 | 2018 |
| Steve Sewell | Secretary | Mountain Manager[(2)] | 7 | 2020 |
| Craig Monzio | Assistant Secretary | Vice President[(1)] | 1 | 2018 |
| James D'Agostino | Assistant Secretary | President[(1)] | 1 | 2020 |

(1) Refers to each director's position with the Related Companies, the owner of the Prior Developer.
(2) Refers to Mr. Sewell's position with Aspen Skiing Company.

Potential Board Changes. It is expected that within a reasonable period of time following the completion of the Sale, the composition of the Boards may change due to new appointments and/or elections. It is not possible to predict at this time how the Boards will change, but it is likely that employees of entities related to the Developer will become members of the District No. 1 Board and it is probable that Mr. Sewell will remain on the District No. 1 Board. The future composition of the Board is unknown at this time.

**Conflicts of Interest**

Four of the five current members of the Boards are owners or employees of the Prior Developer and/or entities related to the Prior Developer and the fifth member is an employee of Aspen Skiing Company, an affiliate of which is a partner with the Developer in the new development project. In addition, as described above, following the acquisition of the Development, four new Board members are expected to be appointed who are owners or employees of the Developer and/or entities related to the Developer.

State law requires directors to disqualify themselves from voting on any issue in which they have a conflict of interest unless the applicable director has disclosed the conflict in a certificate filed with the Secretary of State and the Boards at least 72 hours in advance of any meeting of which the conflict may arise. Additionally, no contract for work or material, including a contract for services, regardless of the amount, may be entered into between the District and a Board member (or between District No. 1 and a District No. 1 Board member), or between the District and the owner of 25% or more of the territory within the District (or between District No. 1 and the owner of 25% or more of the territory within District No. 1), unless a notice is published for bids and such Board member or owner submits the lowest responsible and responsive bid. A portion of the Bond proceeds are expected to be paid to the Prior Developer as the repayment of the 2013B Bonds. See "USES OF PROCEEDS." Board members voting on the Bond Resolution are expected to file conflict statements with the Secretary of State and the Board prior to the adoption of the Bond Resolution, and District No. 1 Board members voting on the resolution approving the Capital Pledge Agreement are expected to file conflict statements with the Secretary of State and the District No. 1 Board prior to the adoption of the resolution. See "THE DEVELOPMENT - The Developer" above.

**Administration**

The Boards are responsible for the overall management and administration of the affairs of each of the Districts. The Districts have no employees, and all administrative functions are provided by third parties pursuant to contracts with District No. 1. District No. 1, in turn,

provides administrative and other functions for District No. 2 pursuant to the Master District IGA (through the date of issuance of the Bonds) and pursuant to the Operations Agreement (after the date of issuance of the Bonds). District No. 1 retains Snowmass Hospitality LLC, Snowmass Village, Colorado, as the manager for the Districts. Snowmass Hospitality is affiliated with the Prior Developer. After the Sale, it is expected that the management functions currently performed by Snowmass Hospitality will be transferred to the Developer, which may continue to perform these functions under the same name or through some other name or entity. District No. 1 retains CliftonLarsonAllen LLP, Certified Public Accountants, Greenwood Village, Colorado, as the accountants for the Districts. The Districts are represented by White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado.

**Agreements of the Districts**

The Special District Act authorizes the Districts to enter into agreements and contracts affecting their affairs. According to the Districts' general counsel, the Districts are not a party to any agreements which materially affect their financial status or operations, except for the following:

Operations Agreement. The Districts are expected to approve and execute an Operation, Maintenance and Administrative Services Agreement dated as of November 28, 2016 and effective as of the date of issuance of the Bonds (the "Operations Agreement"). The Operations Agreement is expected to replace an Amended and Restated District Public Improvements Joint Financing, Construction, and Service Agreement dated June 25, 2008 (the "Master District IGA"), which currently outlines the provisions and operation, maintenance and administrative services, financing, construction budget and capital costs, construction and acquisition, ownership and operation of public improvements and the issuance of bonds and other debt by the Districts.

The Operations Agreement is expected to establish certain rights and obligations of the Districts with respect to the provision of operations, maintenance and administrative services of the Districts. The Operations Agreement is expected to obligate District No. 1 to continue to serve as the administrative agent for District No. 2 with respect to statutory annual requirements that are required of District No. 2, and also to operate and maintain public infrastructure owned by District No. 1 and/or as to which District No. 1 has operations and maintenance responsibilities pursuant to easements or other property interests. It is expected that the Operations Agreement will obligate District No. 2 to levy 6 mills until such time as the District No. 1 mill levy (in the amount of 43.5 mills less the Capital Levy under the Capital Pledge Agreement) is sufficient to meet a single year's operations, maintenance and administrative expenses, at which point District No. 2 will no longer be obligated to fund any such expenses.

Capital Pledge Agreement. The Districts will enter into a Capital Pledge Agreement dated as of December 20,* 2016 (the "Capital Pledge Agreement"), which is described in "SECURITY FOR THE BONDS – Capital Facility Fees" and Appendix H.

* Subject to change.

Omnibus Reimbursement Agreement. District No. 1 or both Districts are parties to several funding agreements with the Prior Developer and developers of Base Village which pre-date the Prior Developer, including Base Village Owner LLC ("BVO") (collectively, the "Prior Agreements"). Any of the Prior Agreements which are not with the Prior Developer have been assigned to the Prior Developer. As part of the acquisition of Base Village by the Developer, the Prior Developer expects to assign all of its rights and obligations under these agreements to the Developer. In addition, on November [28], 2016, District No. 1 and the [Developer] are expected to enter into a Funding and Reimbursement Agreement to be effective on the date of issuance of the Bonds (the "Omnibus Reimbursement Agreement") which will supersede the Prior Agreements. District No. 2 will not be a party to the Omnibus Reimbursement Agreement and will not be obligated to pay any amounts under this agreement.

The Omnibus Reimbursement Agreement states that as of the date thereof, the Districts recognized owing $8,666,541 to the Prior Developer pursuant to the Prior Agreements, consisting of $5,258,670 of principal and $3,407,811 of interest (the "Prior Costs"). In the agreement, District No. 1 agrees to repay these amounts. The agreement provides that from the date thereof, interest shall to accrue at the rate of 8% per annum simple interest, to the earlier of the date a Reimbursement Obligation is issued or repayment is made. The obligation to pay these amounts terminates 40 years from the date of the agreement. The agreement states that it evidences District No. 1's intent to repay the [Developer] for the Prior Costs, but shall not constitute a debt or indebtedness of District No. 1 within the meaning of any constitutional or statutory provision. District No. 1's agreement to repay Prior Costs and to issue Reimbursement Obligations is subject to annual appropriation by District No. 1, in its absolute discretion.

Upon request of the [Developer], District No. 1 agrees to issue one or more "Reimbursement Obligations" to evidence any repayment obligation of District No. 1 then existing with respect to Prior Costs. Reimbursement Obligations will be payable from the sources identified therein, which may include, but not necessarily limited to, ad valorem property tax revenues of District No. 1. Reimbursement Obligations shall mature on dates, and bear interest at market rates, to be determined at their time of issuance. **[insert bond subordination language?]**

Intergovernmental Agreements with the Town. District No. 1 or both Districts are parties to five intergovernmental agreements with the Town and/or the GID (defined below).

*2005 Town IGA.* The Districts and the Town are parties to an Intergovernmental Agreement dated May 4, 2005 (the "2005 Town IGA"). The 2005 Town IGA imposed various restrictions on the Districts' ability to issue debt, include or exclude property and modify the Service Plan. These restrictions are consistent with the Service Plan. The 2005 Town IGA also gives the Town the right to review all proposed bond documents for 30 days and provide notice of any objections.

*2008 Town IGA.* The Districts and the Town are parties to an Intergovernmental Agreement dated May 15, 2008, as amended on June 11, 2009 (the "2008 Town IGA"). Pursuant to this agreement, the Districts and the Town define certain road and traffic improvement services that may be provided by the Districts and the Town with shared funding. **[Note: confirm that this agreement is no longer active and can be deleted]**

*Occupancy Assessment Agreement.* District No. 1 and the Town are parties to an Occupancy Assessment Agreement dated May 5, 2009 (the "Occupancy Assessment Agreement"). This agreement acknowledges that the Town imposed an Occupancy Assessment on new construction in the Town. The Occupancy Assessment for the Main Parking Garage is $174,267, which District No. 1 agrees to pay. The Town agrees to refund $20,474 of this amount if the Transit Center improvements described below have been completed. **[Note: confirm that this agreement is no longer active and can be deleted]**

*Transit Center Agreement.* District No. 1 and the Town are parties to a Transit Center Joint Operating Agreement dated November 1, 2010 (the "Transit Center Agreement"). This agreement reflects that BVO has constructed or is in the process of constructing certain facilities within Base Village to be used for public transportation (the "Transit Center"). The Transit Center consists of space within the Main Parking Garage from with the Town's public bus system can be managed. District No. 1 agrees to be responsible for the operation and maintenance of the Transit Center, including snow, ice, and trash removal, operation and maintenance of elevators and escalators, and maintaining safe public access from the bus bays through Building 7 to the public plaza areas. The Town agrees to be responsible for the operation and maintenance of the 100 square foot transit office located in the Transit Center. The Town also agrees to manage bus operations to permit the general public to use the Town's public transportation system.

*IGA with GID.* The Districts and Snowmass Village General Improvement District No. 1 (the "GID") are parties to a Base Village Intergovernmental Agreement dated September 30, 2006 (the "GID IGA"). Pursuant to this agreement, the Districts and the GID agreed upon the amount of aggregate mill levies to be imposed by all three entities, which is not to exceed 49.5 mills annually. Since the date of this agreement, the GID has imposed 6.0 mills and the Districts have imposed 43.5 mills, such that the total mill levy has been 49.5 mills. The GID is a separate governmental entity from the Districts which was established to provide a property tax revenue source for the Town to pay for certain public improvements. The boundaries of the GID are coterminous with the combined boundaries of the Districts. The Town Council comprises the board of directors of the GID. The primary purpose of the GID is to own and operate the Sky Cab Gondola which links Base Village to Snowmass Village. The Sky Cab Gondola is free to the public.

Other Agreements.

*Management Agreement.* District No. 1 and Snowmass Hospitality LLC ("SH") are parties to a Second Amended and Restated Public Facilities Management Agreement dated January 1, 2014, as extended on November 18, 2015 (the "Management Agreement"). Pursuant to this agreement, SH agrees to operate and maintain the Main Parking Garage, Transit Center and other public improvements owned, leased or controlled by District No. 1. SH is an entity which is owned by the Prior Developer. The rights and obligations of SH are expected to be transferred to the Developer as part of the Sale. After the completion of the Sale, the Developer may continue to manage the Districts through this entity or through some other entity, and the Developer may continue to act under the Management Agreement or may propose entering into a new agreement with District No. 1. The current agreement expires on December 31, 2016. SH is paid a fixed fee (subject to increase each January 1 by the greater of 2% or the

Consumer Price Index) in the amount of $45,000 for administering parking fees, $10,000 for maintaining the Conference Center, $15,000 for managing the Transit Center and $25,000 for administering the Districts. In addition, District No. 1 agrees to pay the costs of third party contractors and suppliers engaged by SH to perform any management services.

*Viceroy Management Agreement.* District No. 1 and the Prior Developer are parties to an Independent Contractor Agreement (Conference Center Sales, Marketing, Booking, and Operational Agreement) dated October 9, 2013 (the "Conference Center Agreement"). Pursuant to this agreement, the Prior Developer agrees to manage marketing, sales, booking and all operational responsibilities for the Conference Center owned by District No. 1. District No. 1 agrees to pay the Prior Developer 10% of all net sales or a flat fee of $25,000, whichever is greater.

*Easement Agreement.* District No. 1, BVO and Base Village Company, Inc. (the "Master Association") are parties to an Easement Agreement (Underground Parking Garage) dated May 31, 2011. Pursuant to this easement, BVO grants an easement to District No. 1 and the Master Association to various portions of the Main Parking Garage. In the agreement, the Master Association agrees to operate and maintain certain property, and District No. 1 agrees to operate and maintain the Transit Center. The costs of this operation and maintenance are to be allocated among BVO, the Master Association and District No. 1.

**Insurance Coverage**

The Boards act to protect each Taxing District, respectively, against loss and liability by maintaining certain insurance coverage. Currently, the Districts maintain insurance through the Colorado Special Districts Property and Liability Pool ("CSDPLP"). CSDPLP was established by the Special District Association of Colorado in 1988 to provide special districts with general liability, auto/property liability, public officials' liability and workers' compensation insurance coverage as an alternative to the traditional insurance market. CSDPLP provides insurance coverage to over one thousand special districts and is governed by a nine-member board of special district representatives. The Districts' current policies expire on January 1, 2017, and provide, for each District respectively, $1,000,000 of coverage (per occurrence) for public entity liability insurance, which includes general liability, employee benefits administration liability, public officials liability, employment practices liability and non/owned hired auto liability.

## THE DEVELOPMENT

*The information contained in this section has been supplied by the Developer and the Prior Developer (both as defined below), and contains important information concerning the Prior Developer, the Developer and the Development (defined below). Investors are urged to review this information carefully before making an investment in the Bonds. Neither the District nor the Underwriter make any representation regarding the projected development plans, the financial soundness of the Developer or its ability to complete the Development as planned. See "RISK FACTORS" for a discussion of some of the primary development risks associated with the development of the remaining undeveloped property in the District. All acreage and square feet figures herein are believed by the Prior Developer and the Developer to be materially accurate, but actual acreage and square feet figures may vary from the amounts provided herein.*

### General Description

General. The Districts were formed for the purpose of financing public improvements related a mixed-use development located in the Town of Snowmass Village. The development is known as Base Village (referred to herein as "Base Village" or the "Development"). The Town is located in the Roaring Fork Valley in western Colorado approximately 170 southwest of Denver. See **MAP OF DISTRICT NO. 1** on page vi, **MAP OF DISTRICT NO. 2** on page vii and **AERIAL PHOTOGRAPH** on page viii.

Base Village comprises approximately 19 acres of partially developed property located at the base of the Snowmass Ski Resort ("Snowmass"). Currently, the Development contains seven Completed Buildings totaling approximately 430,487 square feet. Construction on an additional six Partially Completed Buildings began in approximately 2008 and was terminated in 2009 prior to the completion of these buildings. The Partially Completed Buildings are planned by the Developer to be completed, and the Developer expects to construct four Remaining Planned Buildings, as described further below. The Development is located at the base of the Fanny Hill and Assay Hill ski runs and at the base of the Assay Hill Chairlift, the Village Express Chairlift, the Elk Camp Gondola and the Sky Cab Gondola.

History and Ownership. The property in the Development was largely vacant until development of Snowmass in 1967. Located at the base of Snowmass, the property was partially developed over the years with various improvements. The original developer of Base Village was Intrawest/Brush Creek Development Company L.L.C. ("IBC"). IBC obtained the original Development approvals from the Town and commenced construction of the first phase. IBC sold the Development to Base Village Owner LLC ("BVO") on March 1, 2007. BVO was an affiliate of The Related Companies, a New York real estate company. BVO obtained acquisition and construction financing from Hypo Real Estate Capital Corporation ("Hypo"), which financing was secured by a deed of trust on property in the Development. During the recession, Hypo first obtained a receiver for this property and then foreclosed on the property and took title to it under the name Snowmass BV Holdco LLC ("Holdco"). Holdco then conveyed its interest in the Development to Snowmass Acquisition Company LLC ("SAC") on September 28, 2012. SAC is also an affiliate of The Related Companies. SAC is the successor to the Developer Reimbursement Agreements originally entered into by IBC and BVO described

in "THE DISTRICTS – Agreements of the District." SAC is expected to assign its interest in the Developer Reimbursement Agreement to the Developer as part of the Sale.

IBC and BVO constructed seven buildings (Buildings 1, 2A, 2B, 2C, 3ABC, 3DE and 13A) from 2007-09 (the "Completed Buildings"), and commenced (but did not complete) construction of six additional buildings (Buildings 4, 5, 6, 7, 8 and 13B) (the "Partially Completed Buildings"). No construction has occurred since approximately 2009. The Prior Developer owns the commercial condominium units in the Completed Buildings, all of the Partially Constructed Buildings, the sites of the four additional planned buildings (the "Remaining Planned Buildings") and 66 completed residential condominium units in Building 13A (collectively, the "Prior Developer's Interest").

On September 22, 2016, the Prior Developer entered into a purchase and sale contract (the "Purchase Agreement") with East West Partners, Inc., a Colorado corporation ("East West") for the sale of the Prior Developer's Interest in the Development (the "Sale"). See "The Developer" below. East West has announced that it has formed a joint venture with an affiliate of Aspen Skiing Company and an affiliate of KSL Capital Partners to acquire the Prior Developer's Interest. The joint venture is Snowmass Ventures, LLC (the "Developer"). East West plans to assign its interest in the Purchase Agreement to the Developer. The Prior Developer and the Developer are currently in the process of satisfying closing conditions to the Purchase Agreement. The sale is expected by the Prior Developer and the Developer to close into escrow on approximately December 5, 2016. The closing of this sale is a condition to the release of the escrow sale of the Bonds. The purchase price under the Purchase Agreement is $59,500,000. Approximately 64% of the purchase price is allocated to the 66 residential units in Building 13A; approximately 31% is allocated to land; 2% is allocated to the commercial units in the Completed Buildings; and 2% is allocated to the certain District bonds which are owned by the Prior Developer and will be conveyed to the Developer (but which will be forgiven and discharged on the date of issuance of the Bonds). After this sale is completed, the Prior Developer is not expected to own any property in the Development.

The Development currently contains 241 completed residential condominium units. The Prior Developer owns 66 of these units, and unrelated parties own 175 of these units.

Overall Development Plan. Base Village is envisioned by the Prior Developer and the Developer to be a master-planned mixed use development which includes 17 buildings, a public plaza, pedestrian walks and five underground parking garages. As of the date hereof, seven Completed Buildings have been constructed, comprising 39.3% of the total planned Development when measured by square feet, and six Partially Completed Buildings exist (construction was halted in 2009). No work has commenced on the four Remaining Planned Buildings. The Development is planned to contain hotel, condominium, retail, restaurant and public uses. The existing Town approvals, zoning and land entitlements are described below under "Land Entitlements and Public Approvals."

Fanny Hill Site. The District includes a 1.9 acre parcel which is not contiguous with the Development, located several hundred feet west of the Development. This property is described in "Fanny Hill Site" below.

**Completed, Partially Completed and Planned Buildings**

General Description of the Buildings. The Amended PUD (defined below under "Land Entitlements and Public Approvals") permits the construction of 17 buildings in the Development. The following table summarizes these buildings.

## Completed, Partially Completed and Planned Buildings in the Development

| | | Square Feet | | | | | | Units | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Residential | | | | | | | | | |
| Building | Year Opened | Market Rate Condominiums[6] | Employee Housing | Common Areas[7] | Commercial[8] | Total | % of Total | Market Rate Condominiums | Employee Housing[10] | Hotel Rooms | Within District[9] |
| *Completed Buildings:* | | | | | | | | | | | |
| 1* | 2008 | 17,883 | -- | 4,617 | 26,343 | 48,843 | 4.5% | 14 | -- | -- | 1 and 2 |
| 2A* | 2008 | 40,040 | -- | 4,801 | 32,018 | 72,058 | 6.6 | 29 | -- | -- | 1 and 2 |
| 2B* | 2008 | 22,929 | 1,380 | 8,762 | 3,780 | 36,851 | 3.4 | 25 | 2 | -- | 1 and 2 |
| 2C* | 2008 | 23,589 | 2,147 | 7,998 | 4,823 | 38,557 | 3.5 | 23 | 3 | -- | 1 and 2 |
| 3ABC* | 2008 | -- | -- | -- | 15,589 | 15,589 | 1.4 | -- | -- | -- | 1 |
| 3DE* | 2008 | -- | -- | - | 8,322 | 8,322 | 0.8 | -- | -- | -- | 1 |
| 13A* | 2009 | 125,765 | 2,761 | 43,030 | 38,711 | 210,267 | 19.2 | 150[5] | 3 | -- | 2 |
| Subtotal: | | 225,405 | 6,228 | 69,208 | 129,586 | 430,487 | 39.3% | 241 | 8 | -- | |
| *Planned or Partially Constructed:* | | | | | | | | | | | |
| 4• | n/a[1] | 6,942 | -- | 257 | 4,951 | 12,150 | 1.1% | 3 | -- | -- | 1 and 2 |
| 5• | n/a[1] | 68,624 | 2,012 | 15,836 | 18,737 | 105,209 | 9.6 | 15 | 2 | 102 | 1 and 2 |
| 6• | n/a[1] | -- | -- | -- | 9,775 | 9,775 | 0.9 | -- | -- | -- | 1 |
| 7• | n/a[2] | 20,826 | 3,106 | 4,510 | 8,088 | 36,530 | 3.3 | 11 | 4 | -- | 1 and 2 |
| 8• | n/a[3] | 65,070 | -- | 31,934 | 5,998 | 103,002 | 9.4 | 30 | -- | -- | 1 and 2 |
| 10A† | n/a | 86,967 | 2,000 | 23,493 | -- | 112,462 | 10.3 | 68 | 3 | -- | 1 and 2 |
| 10B† | n/a | 53,598 | 2,466 | 13,245 | 6,081 | 75,387 | 6.9 | 42 | 2 | -- | 1 and 2 |
| 11† | n/a | 51,411 | 1,030 | 11,806 | -- | 64,247 | 5.9 | 25 | 2 | -- | 2 |
| 12† | n/a | 43,633 | -- | 13,812 | -- | 57,445 | 5.3 | 20 | -- | -- | 2 |
| 13B• | n/a[4] | 62,614 | 5,167 | 19,656 | -- | 87,437 | 8.0 | 49 | 7 | -- | 2 |
| Subtotal: | | 459,685 | 15,781 | 134,549 | 53,630 | 663,644 | 60.7% | 263 | 20 | 102 | |
| TOTAL: | | 685,090 | 22,069 | 203,757 | 183,216 | 1,094,131 | 100.0% | 504 | 28 | 102 | |

* Defined herein as the Completed Buildings.

• Defined herein as the Partially Completed Buildings.

† Defined herein as the Remaining Planned Buildings.

(numeric footnotes on next page)

(1) The foundations for these buildings were constructed in 2008, but construction was stopped in 2009. The Developer plans to complete these buildings in the future.
(2) Construction of Building 7 commenced in 2008. The foundation of the building and the underlying structure for the first three floors were completed in 2009, when constructed stopped. In 2012, the first level and village level were enclosed, and this building currently serves as the temporary Base Village Welcome Center. See "Completed Buildings – Building 7."
(3) Construction of Building 8 commenced in 2008. The foundation of the building and the underlying structure for the first three floors were completed in 2009, when construction stopped. Building 8 is not certified for occupancy.
(4) The foundation of this building was constructed in 2009, and includes an approximately 200-space underground parking garage which is open for business and currently serves Building 13A.
(5) Of these units, 66 are currently owned by the Prior Developer and have been rented on a short-term basis as the branded Viceroy Hotel. For property tax assessment purposes, these units are assessed as residential units and not as commercial hotel units. The remaining 84 units are owned by homeowners.
(6) Represents sellable square feet.
(7) Represents gross square feet minus sellable residential square feet, employee housing unit square feet and sellable or leasable commercial square feet.
(8) Represents sellable or leasable square feet.
(9) Reflects current location within the Districts for the Completed Buildings. Reflects planned location within the Districts for the Partially Completed Buildings and the Remaining Planned Buildings. As buildings are completed, it is the Developer's expectation that it will petition District No. 1 for inclusion of commercial condominium units and will petition District No. 2 for exclusion of the same units.
(10) These units have been constructed and are planned to be constructed in satisfaction of the requirements of the Housing Agreement. See "Land Entitlements and Public Approvals – Development Agreements – Housing Agreement" below.

Sources: PUD and Developer.

Completed Buildings. The following seven buildings were completed from 2007-09 and are fully operational.

*Building 1:* Building 1 is located at the base of the Fanny Hill ski run, the Village Express chairlift and the Sky Cab Gondola. It contains 14 privately-owned residential condominiums on the second, third and fourth floors and skier services on the ground floor. The commercial condominiums are owned by Aspen Skiing Company, which operates the Treehouse Kids' Adventure Center and Four Mountain Kids clothing and gear store.

*Building 2A:* Building 2A is adjacent to Building 1 and contains 29 privately-owned condominiums on the second, third and fourth floors and retail businesses and restaurants on the ground floor. Building 2A is a part of Capitol Peak Lodge. Current businesses include Ricard by Viceroy restaurant, Sake restaurant (a new tenant scheduled to open in December 2016), Performance Ski clothing and gear store, Sotheby's real estate office and Developer office space (a new user scheduled to open in December 2016). In addition, Building 2A contains the approximately 16,000 square foot Conference Center, which is owned and operated by District No. 1.

*Building 2B:* Building 2B is adjacent to Building 2A and contains 25 privately-owned condominiums and 2 employee housing units on the second, third and fourth floors and retail businesses on the ground floor. Building 2B is a part of Capitol Peak Lodge. Current businesses include Aspen Sports clothing, gear and rentals, Coldwell Banker real estate office and Clark's Express grocery market.

*Building 2C:* Building 2C is adjacent to Building 2B and contains 23 privately-owned condominiums and 3 employee housing units on the second, third and fourth

floors and a Development information office on the ground floor. The Developer expects to use additional office space on the ground floor beginning in December 2016. Building 2C is a part of Capitol Peak Lodge.

*Building 3ABC:* Building 3ABC is located at the base of the Fanny Hill ski run and the Elk Camp Gondola across the plaza from Buildings 1 and 2A. Building 3ABC contains a Snowmass lift ticket office (owned and operated by Aspen Skiing Company), the Base Camp Bar and Grill and public restrooms.

*Building 3DE:* Building 3DE is located between Buildings 2 and 3ABC and contains the Slice Italian Bistro restaurant and Four Mountain Sports clothing, gear and rentals.

*Building 13A:* Building 13A is located in the eastern portion of the Development at the base of the Assay Hill ski run and Assay Run chairlift. Building 13A is known as the Viceroy Snowmass Resort & Hotel and contains 150 condominiums on floors two through eight. Of these 150 condominium units, 84 units are owned by individual homeowners and 66 units are owned by the Prior Developer (and under contract for sale to the Developer pursuant to the Purchase Agreement). Nearly all of the 150 units, including the 66 units owned by the Prior Developer, are part of a rental program and marketed under the Viceroy Snowmass Resort & Hotel brand. Businesses located in Building 13A include the Spa at Viceroy Snowmass, a full-service spa, 8K at Viceroy Snowmass restaurant, Nest restaurant and Four Mountain Sports clothing, gear and rentals.

Partially Completed Buildings. The following six buildings are permitted by the Amended PUD and are planned to be completed by the Developer, as described below under "Development Plan and Financing – Development Phasing." Construction of the Partially Completed Buildings began in 2008 but was halted in 2009, prior to completion. As part of its investigation into the Development, the Developer commissioned Wiss, Janney, Elstner Associates, Inc., Lakewood, Colorado, to perform certain due diligence tasks for specific buildings and assess the Main Parking Garage (which includes the lower levels of Partially Completed Buildings 4 and 5, Partially Completed Buildings 6, 7, 8 and 13B, certain pathways and retaining walls. The Developer states that it has taken into account the findings of the Structural Report in its planning for the completion of the Partially Completed Buildings. The status of each of the Partially Completed Buildings is described below.

*Building 4:* Building 4 is planned to be located in the center of the Development on the Central Plaza (defined below) and is planned to contain three market-rate residential condominiums on the upper floors and retail and restaurant uses on the ground floor. Aspen Skiing Company is expected to purchase Building 4 (other than the three market-rate residential condominiums). As part of the construction of the Main Parking Garage (defined below) in 2008, the foundation of Building 4 was also constructed. Above-grade construction has not yet commenced.

*Building 5:* Building 5 is planned to be located on the Central Plaza and is planned to contain 15 market-rate condominiums, a 102-room hotel, the 4,500 square feet Snowmass Mountain Club (described below) and two employee housing units. Aspen Skiing

Company is expected to purchase Building 5 (other than the 15 market-rate condominiums). Aspen Skiing Company has announced plans to locate the Limelight Hotel and a restaurant in Building 5, as well as the Snowmass Mountain Club, which is planned to be a private club featuring reserved parking and ski valet services. The Amended PUD (defined below) restricts the Snowmass Mountain Club to 228 members. As part of the construction of the Main Parking Garage in 2008, the foundation of Building 5 was also constructed. Above-grade construction has not yet occurred.

*Building 6.* Building 6 is planned to be located on the Central Plaza and is required to be deeded to the Town and used as a community building. As a public building, Building 6 is not expected to be taxable and therefore is not expected to generate any property tax revenue. As part of the construction of the Main Parking Garage in 2008, the foundation of Building 6 was also constructed. Above-grade construction has not yet commenced.

*Building 7.* Building 7 is located in the northern portion of the Development and is planned to contain 11 market-rate condominiums (although some or all of these condominiums could be factional ownership units as described in the following paragraph) and retail space. The foundation and first four levels of Building 7 were constructed in 2008. The first four levels are enclosed but are only partially occupied. The occupied space consists of the temporary Base Village Welcome Center. Completion of the first four levels and construction of the remaining upper floors has not yet commenced.

*Building 8.* Building 8 is located adjacent to Building 7 and is planned to contain 30 market-rate residential condominiums and approximately 6,000 square feet of space which is required by the Amended PUD to be used as a medical clinic. The Developer expects that this space will be leased to Aspen Valley Hospital for this purpose; however, there is no guarantee that this will occur and there is no signed agreement in place with Aspen Valley Hospital. Of the 30 condominiums in Building 8 and the 11 condominiums in Building 7, 11 condominiums must be fractional ownership units. It is not known at this time in which building(s) these units will be located. The foundation of Building 8 and the structure for the upper three floors were constructed in 2008; however the upper floors are not habitable until additional construction occurs.

*Building 13B.* Building 13B is planned to be located on the eastern edge of the Development between existing Building 13A and planned Building 12 and is planned to contain 49 market-rate condominiums and 7 employee housing units. In 2008, the foundation of and first level of Building 13B were constructed as part of the construction of an underground parking garage containing approximately 240 spaces which is shared with Building 13A (the "Building 13AB Parking Garage"). The first level is enclosed but is not finished or habitable until additional construction occurs. Construction of Building 13B beyond the first level has not occurred.

Remaining Planned Buildings. The following four buildings are permitted by the Amended PUD and are planned to be completed by the Developer, as described below under "Development Plan and Financing – Development Phasing." No construction has occurred on the Remaining Planned Buildings.

*Building 10A:* Building 10A is planned to contain 68 market-rate condominiums and 3 employee housing units on the upper floors and approximately 6,081 gross square feet of retail on the ground floor. Building 10A is planned to contain a separate two-level underground parking garage which also serves Building 10B containing approximately 138 spaces (the "Building 10AB Parking Garage"). As described below in "Land Entitlements and Public Approvals," the Developer must submit a current market study to the Town at the time the Developer applies for a building permit for this building which assesses the current market for commercial space. *The market study may result in an increase or a decrease in the permitted commercial space planned to be located in Building 10A.*

*Building 10B:* Building 10B is planned to contain 42 market-rate condominiums and 2 employee housing units on the upper floors. Building 10B is planned to contain a separate two-level underground parking garage which also serves Building 10A containing approximately 138 spaces (the "Building 10AB Parking Garage"). As described below in "Land Entitlements and Public Approvals," the Developer must submit a current market study to the Town at the time the Developer applies for a building permit for this building which assesses the current market for commercial space. *The market study may result in an increase or a decrease in the permitted commercial space planned to be located in Building 10B.*

*Building 11.* Building 11 is planned to be located in the northeastern portion of the Development and is planned to contain 25 market-rate condominiums and 2 employee housing units. Building 11 is planned to contain a separate underground parking garage containing between 32 and 65 spaces, depending upon whether it will contain one level or two levels (the "Building 11 Parking Garage"). As described below in "Land Entitlements and Public Approvals," the Developer must submit a current market study to the Town at the time the Developer applies for a building permit for this building which assesses the current market for commercial space.

*Building 12.* Building 12 is planned to be located in the southeast corner of the Development and is planned to contain 20 market-rate condominiums. Building 12 is planned to contain a separate single-level underground parking garage containing approximately 37 spaces (the "Building 12 Parking Garage").

**Public Areas**

Existing Buildings 1, 2A, 3ABC and 3DE surround an open area which serves as a public gathering area at the base of the ski mountain. The primary public space planned for the Development is a central plaza (the "Central Plaza") planned to be surrounded by Buildings 4, 5 and 6. The Central Plaza is planned to contain an ice skating rink in the winter and an open area containing a water feature, lawn and play area in the summer. The Central Plaza is planned to be the location for concerts, street fairs and other public uses. The use of the Central Plaza will be governed by the Plaza Agreement described below under "Land Entitlements and Public Improvements – Development Agreements – Plaza Agreement."

**Parking**

The Development is planned to be served primarily by five underground parking garages containing approximately 1,021 spaces (or up to approximately 1,054 spaces if the Building 11 Garage contains only two levels). The primary garage was constructed in 2008 and contains 614 spaces on three underground levels (the "Main Parking Garage"). The Main Parking Garage is located under Completed Buildings 2A and 2B, under Partially Completed Building 8 and under Remaining Planned Buildings 4, 5 and 6, as well as under the planned Central Plaza. The Main Parking Garage is currently owned by the Prior Developer, but District No. 1 owns an easement to approximately 240 spaces which are used for public parking. The Developer plans to condominiumize the Main Parking Garage so that District No. 1 will own these spaces outright and the Transit Center, as further described below. The Main Parking Garage also contains the Town's transit center (the "Transit Center"), which consists of offices and dedicated space within the Main Parking Garage for use by the Town as part of its public bus transportation system.

The Building 13AB Parking Garage, containing approximately 240 spaces, was also constructed in 2008. The remaining 3 parking garages, consisting of the Building 10AB Parking Garage (planned for approximately 138 spaces), the Building 11 Parking Garage (planned for approximately 32-65 spaces) and the Building 12 Parking Garage (planned for approximately 37 spaces), have not yet been constructed.

In addition to underground parking, the Development includes 33 surface lot spaces adjacent to Building 2A. The primary purpose of this lot is to provide for short-term drop off and pick-up of children enrolled in the Children's Center located in Building 1. In addition, a surface lot containing 20 parking spaces is located adjacent to Building 7. The primary purpose of this lot is to provide for short-term parking for guests using the Base Village Welcome Center.

The Amended PUD (defined below) requires the Developer to create a car-sharing program for use by guests, residents and businesses in the Development. Other than the portion of the Main Parking Garage described above which is owned by District No. 1 pursuant to an easement, the Prior Developer owns all of the parking garages and lots.

**[Pending parking garage condominiumization plan to be described]**

**Residential Summary**

Current plans call for the development of a total of 504 market-rate condominium and 28 employee housing units. As of the date hereof, 241 market-rate units have been completed, or 48%. As of the date hereof, 8 employee housing units have been completed, or 29%. The market-rate condominiums range from studio units to 4-bedroom units, with an average size of 935 square feet. The employee housing units range from studio units to 2-bedroom units, with an average size of 786 square feet. Five of the employee housing units are owned by employees and three are owned by the Prior Developer and leased to employees. The employee housing units are managed pursuant to the Restricted Housing Agreement (defined below) by the Snowmass Housing Authority.

## Commercial Summary

Current plans call for the development of a total of approximately 183,216 square feet (gross square feet, not rentable square feet) of commercial space for retail, restaurant, skier services and office uses. As of the date hereof, approximately 129,586 square feet have been completed, or 71%. The current vacancy rate is approximately 2%. Existing leasable retail space is currently being leased as follows:

Current Commercial Uses in the Development

| Building | Tenant/User | Description | Leasable Square Feet |
|---|---|---|---|
| 1 | Aspen Skiing Co.[4] | Skier services | 26,343 |
| 2A | Aspen Skiing Co. | Ski lockers | 656 |
| 2A | Developer[2] | Office | 1,401 |
| 2A | Performance Ski | Retail | 1,325 |
| 2A | Ricard | Restaurant | 5,033 |
| 2A | Sake[1] | Restaurant | 2,698 |
| 2A | Sotheby's Realty | Real estate | 813 |
| 2A | Viceroy/District No. 1[5] | Conference | 16,191 |
| 2A | Capitol Peak | Commercial Services | 3,901 |
| 2B | Aspen Sports | Retail | 1,648 |
| 2B | Clark's Market | Retail | 1,011 |
| 2B | Coldwell Banker | Real estate | 1,121 |
| 2C | Snowmass Hospitality | Skier services | 3,379 |
| 2C | Developer[3] | Office | 619 |
| 2C | Capitol Peak | Commercial Services | 825 |
| 3ABC | Aspen Skiing Co.[4] | Skier services | 4,032 |
| 3ABC | Base Camp | Restaurant | 6,131 |
| 3ABC | (Vacant) | n/a | 3,051 |
| 3ABC | Building 3 | Commercial Services | 2,375 |
| 3DE | Aspen Skiing Co. | Retail | 2,902 |
| 3DE | Aspen Skiing Co. | Storage | 2,107 |
| 3DE | Slice | Restaurant | 2,888 |
| 3DE | Building 3 | Commercial Services | 425 |
| 13A | Aspen Skiing Co. | Skier services | 968 |
| 13A | Developer[3] | Office | 290 |
| 13A | Viceroy | Restaurant | 7,331 |
| 13A | Viceroy | Spa | 5,056 |
| 13A | Viceroy | Conference | 20,881 |
| 13A | Viceroy | Commercial Services | 4,185 |
| Total | | | 129,586 |

(1) The previous tenant vacated this space earlier in 2016. Sake Restaurant signed a lease for this space in September 2016, and is currently renovating the space. Sake plans to open for business in December 2016.

(2) This space is currently vacant but is expected to be used by the Developer as office space after it acquires the Prior Developer's Interest.

(3) This space is currently used by the Prior Developer but is expected to be used by the Developer as office space after it acquires the Prior Developer's Interest.

(4) These units are owned by Aspen Skiing Company. The other units used by Aspen Skiing Company are owned by the Prior Developer and leased to Aspen Skiing Company.

(5) This unit is owned by District No. 1 and operated by Viceroy. It is exempt from property taxation.

Source: Prior Developer.

**Development Plan and Financing**

Upon its acquisition of the Development, the Developer plans to pursue the completion of the Development as approved in the Amended PUD (subject to the requirements of the Amended PUD). The Developer expects to retain a marketing firm to help this endeavor and plans to establish an in-house brokerage in Base Village to assist with the sale of the market-rate residential condominiums.

Development Phasing. The Developer plans to complete construction of the six Partially Completed Buildings and to construct the four Remaining Planned Buildings and the Central Plaza and other amenities of the Development according to the following schedule. Phase I is expected to begin in April 2017 and Phase V is expected to be completed in November 2024, representing a build-out schedule of approximately 7.5 years. *The following development phasing schedule represents the Developer's current plans. The actual rate of development, however, will depend upon the availability of construction financing, market conditions and other factors which cannot be predicted at this time. It is possible that the development phasing described below may not occur on the dates described and may not occur at all. Prior to construction commencing, certain additional Town approvals are required, as described in "Land Entitlements and Public Approvals" below.*

**Phase I:** The first phase of construction consists of the development of Lots 2 and 3, which include the Central Plaza and Buildings 4, 5, 6, 7 and 8. The Developer plans to begin construction of the Central Plaza and Buildings 4, 5 and 6 in April 2017, with a scheduled completion date of November 2018. The Developer plans to begin work to complete the construction of Buildings 7 and 8 in August 2017, with completion scheduled for Spring 2019.

**Phase II:** The second phase of construction consists of the construction of Building 13B and residential development on the Fanny Hill Site. The Developer plans to begin construction in April 2019, with a scheduled completion date of November 2020.

**Phase III:** The third phase of construction consists of the construction of Buildings 11 and 12. The Developer plans to begin construction in April 2020, with a scheduled completion date of November 2021.

**Phase IV:** The fourth phase of construction consists of the construction of Building 10A. The Developer plans to begin construction in April 2021, with a scheduled completion date of November 2022.

**Phase V:** The fifth phase of construction consists of the construction of Building 10B. The Developer plans to begin construction in April 2023, with a scheduled completion date of November 2024.

Development Financing. The Developer's purchase of the Development from the Prior Developer is expected to be financed primarily with the proceeds of a loan in the maximum amount of $60,000,000. Upon the Developer's acquisition of the Prior Developer's Interest, the Developer expects the lender to attach a security interest in the amount of approximately $53,000,000 to the Prior Developer's Interest.

The Developer plans to obtain construction financing for Buildings 4, 5, 7 and 8 once it receives updated pricing on those buildings. The Developer has engaged in preliminary construction financing discussions with multiple banks and does not anticipate that the financing for these buildings will delay the phasing schedule outlined below. The members of the Developer expect to contribute additional equity to each of these buildings individually to supplement the construction financing in the capital stack. The Developer is also prepared to provide guarantees, if needed, to obtain construction financing.

The Developer has not begun planning the financing for Buildings 10A, 10B, 11, 12 or 13B. At this time, the Developer expects that these buildings will be financed with a mixture of bank financing and Developer equity; however, such financing is speculative.

**Land Entitlements and Public Approvals**

General History. The Development was initially approved by the Town Council in 2004 by the adoption of Ordinance No. 21, Series of 2004, which approved the Base Village Planned Unit Development Guide (as amended in 2007, the "Original PUD"). On December 21, 2015, the Town Council adopted Ordinance No. 9, Series of 2015, approving a major amendment to the Original PUD (the "Amended PUD").

Zoning. The Amended PUD states that the zoning of the Development is Mixed-Use-2. The permitted uses, densities and other details of the Development are provided in the Amended PUD. The Amended PUD permits certain variances from the Mixed-Use-2 zoning category, as described in the Amended PUD.

Amended PUD. The Amended PUD contains detailed descriptions of the size and type of development which is permitted on each of the eight parcels in the Development. The description of the Completed Buildings, Partially Completed Buildings and Remaining Planned Buildings above conforms to the Amended PUD. The Amended PUD also requires the Developer to construct the Central Plaza as a community amenity, construct Building 6 and convey it to the Town and contribute certain cash to the Town. The Amended PUD permits up to 506 multi-family units, 102 hotel units and 22,069 square feet of restricted employee housing to be located in 28 employee housing units. The Amended PUD also permits up to 252,520 square feet of non-residential uses, consisting of 75,000 square feet of commercial (retail and restaurant) uses, 47,518 square feet of hotel uses, 46,727 square feet of skier services, 26,275 square feet of commercial service areas and 57,000 square feet of community facilities. The Amended PUD includes building height restrictions, design restrictions, parking requirements and similar restrictions and requirements.

As described below, a building permit must be issued by the Town prior to construction beginning on any building. The Amended PUD permits the Developer to modify the designs and features of future planned buildings from the buildings described, but only within certain parameters and only with the approval of the Town Planning Director. In general, these modifications consist only of modifications which do not affect the mass or scale of the buildings. For example, a change in the number of residential units per building not exceeding five units and a change in the amount of commercial space per building not exceeding 1,000 square feet may be approved by the Planning Director. Any changes to the approved buildings

in the Amended PUD which are not permitted to be made by the Planning Director would require an amendment to the Amended PUD, which would require Town Council approval after one or more public hearings.

Development Agreements. At the time the Town Council approved the Amended PUD in December 2015, it did so on a conditional basis pending the negotiation and agreement between the Town and the Prior Developer of a number of agreements related to the Development. At the Town Council meeting on September 19, 2016, the Town Attorney informed the Town Council that the Prior Developer and the Town had reached agreement on all of these agreements, and all of the agreements were executed as of September 19, 2016. As part of the Purchase Agreement, each of these agreements is required to be assigned from the Prior Developer to the Developer. These agreements include the following:

*Development Agreement*. The Prior Developer and the Town are parties to the Base Village Development Agreement dated September 19, 2016 (the "Development Agreement"). The Development Agreement replaces a similar agreement dated November 3, 2004, and sets forth the Developer's vested property rights, conditions subsequent to the continued existence of the vested property rights, milestone and interim deadlines and agreements with regard to any defaults or construction interruptions. The vested property rights include the right to develop, plan and engage in land uses in the Development in accordance with the provisions of Town ordinances for the duration of the development milestone timeline. The vested property rights expire on November 3, 2018, but if the Developer meets certain development milestones by that date, the vesting date is extended until November 3, 2019. If the Developer meets certain other development milestones by that date, the vesting date is extended until November 3, 2024.

The vesting deadlines include substantial completion of the roundabout by November 1, 2016 (which deadline the Prior Developer has met) and substantial completion of Buildings 4, 5, 6, 7 and 8 by November 3, 2018, in addition to other improvements. If the Developer fails to substantially complete Buildings 6, 7 and 8 by this deadline, it will be subject to liquidated damages in the amount of $1,500/day up to $1,000,000. If such damages are not paid, the Developer is subject to losing its vested property rights on any buildings for which construction has not yet started.

The Town agrees that it will not enforce against the Developer or the property in the Development any amendment to the Municipal Code adopted after November 3, 2004, or any other zoning, land use or other legal administrative rule, regulation or ordinance that does not apply to the property in the Development as of November 3, 2004 or otherwise take any action that would directly or indirectly impair or delay the development or use of the property. The Town also agrees that it will not subject development or use of the property to any payments, dedication or reservation requirements or the payment of any fees in connection with the development and construction of the property.

*Housing Agreement.* The Prior Developer and the Town are parties to the Base Village Restricted Housing Agreement dated September 19, 2016 (the "Housing Agreement") The Housing Agreement specifies previous and continuing restricted housing requirements agreed upon by the Town and Developer. The agreement states that during Phase I

of the project (described above), the Developer will be required to provide 16,394 square feet of Restricted Housing. Restricted Housing is defined as one or more residential dwelling units intended to be used to house employees generated by the Development or other individuals employed within the Town. It defines how this requirement shall be satisfied, the timing for satisfaction, prerequisites to development, pricing guidelines regarding the rental or sale of said housing, guidelines for rental availability, reporting requirements, a declaration requirement that restrictive covenants be filed prior to any sale of Restricted Housing units by the Prior Developer and agreements as to default or assignment capabilities. The Housing Agreement states that the on-site Restricted Housing shall be constructed contemporaneously with the development of the applicable building within which the Restricted Housing is located.

*Subdivision Improvements Agreement.* The Prior Developer and the Town are parties to the Subdivision Improvements Agreement for the Base Village Planned Unit Development dated September 19, 2016 (the "SIA"). The SIA requires the Prior Developer to construct public improvements related to the Development, including a roundabout (estimated cost $4,335,552); a mini-roundabout (estimated cost $350,000); bus bay improvements (estimated cost $118,931), Upper Wood Road improvements (estimated cost $1,400,000) and snowmelt improvements (estimated cost $350,000). The Prior Developer is required to warrant the improvements against defects for two years and post security in the form of a letter of credit, performance bond or other security acceptable to the Town for purposes of assuring the completion of the improvements. The SIA requires the Prior Developer to complete these improvements at various times, from November 1, 2016 substantial completion for the roundabouts (which deadline was met) to November 1, 2018 for the snowmelt improvements. The SIA also requires the Prior Developer to install landscaping improvements in the Development with a total estimated cost of $5,500,000.

*Services Agreement.* The Prior Developer and the Town are parties to the Base Village Services Agreement dated September 19, 2016 (the "Services Agreement"). The Services Agreement addresses a number of transportation and parking-related obligations of the parties, along with marketing cost-sharing arrangements, access to buildings and other services, and obligates the Prior Developer to make a Town contribution.

*Easement Agreement.* The Prior Developer and the Town are parties to an Easement Agreement (Landing Site and Aerial Tramway On and Across Base Village Lot 3) dated September 19, 2016 (the "Easement Agreement"). Lot 3 of the Development, in which Buildings 6, 7 and 8 are planned and partially constructed, is the location of an easement to the Town for the landing site of a planned aerial tramway which, if constructed, would link Base Village to other parts of the Town. The aerial tramway, if constructed, is anticipated to be a Town project and outside of the control of the Prior Developer. There is no assurance that the tramway will ever be constructed.

*Events Plaza Community Purpose Agreement.* The Prior Developer, the Town, Aspen Skiing Company and Base Village Company, Inc. (the "Master Association") are parties to a Base Village Lot 2 Events Plaza Community Purpose Agreement dated September 19, 2016 (the "Plaza Agreement"). This agreement addresses the design, construction, operation, use, signage and event scheduling with regard to the Central Plaza described above under "Public Areas." The Plaza Agreement states that the Central Plaza will be

designed and constructed for multi-seasonal events and to work in conjunction with Aspen Skiing Company's planned hotel project in Building 4 and the Town's ownership and use of Building 6. The agreement states that the Master Association will operate the Central Plaza and will grant Aspen Skiing Company and the Town licenses to use the Central Plaza for events.

*Building 6 Agreement.* The Prior Developer and the Town are parties to a Building 6 Community Purpose Agreement dated September 19, 2016 (the "Building 6 Agreement"). This agreement addresses the construction and use of Building 6, which is planned to be owned and operated by the Town as a community building. See "Status of Construction – Planned or Partially Constructed Buildings – Building 6" above. The agreement states that the Amended PUD requires the Prior Developer to construct a community facility on Lot 3 (referred to as Building 6) as a condition of the Prior Developer's right to construct certain portions of the Development. The agreement requires the Prior Developer to submit final architectural plans for Building 6 to the Town by January 1, 2017, and to complete the construction of Building 6 by November 1, 2018. For a period of 14 years after the conveyance of Building 6 to the Town, the Town will be exempted from all Master Association assessments and utility costs associated with Building 6.

Additional Approvals. Additional Town approvals are required prior to the completion of the construction of the Partially Completed Buildings and the commencement of construction of the Remaining Planned Buildings.

*Buildings 4, 5 and 13B* require only the issuance of a building permit by the Town. Pursuant to the Town Code, building permits will be issued only upon the satisfaction of certain requirements.

*Buildings 6, 7, 8, 10A, 10B, 11 and 12* require additional architectural review. Prior to obtaining a building permit for any of these buildings, the Developer is required to submit architectural plans to the Town Planning Director. The Planning Director is required to determine if the plans conform to the Amended PUD and the preliminary architectural plans which have already been approved by the Town. If the Planning Director approves the plans, the Developer is required to apply for a building permit from the Town.

*Buildings 10A, 10B and 11* require an additional step prior to the issuance of a building permit. Concurrently with requesting a building permit for Buildings 10A, 10B or 11, the Developer must also submit a current market study to the Town for review. The market study is expected to provide support for reducing, increasing or maintaining the current commercial offering in accordance with approved development statistics. The Town Council is permitted to take into the market study into account prior to issuance of a building permit, with the result that these buildings could contain more or less commercial space than is currently planned.

**Planned Public Improvements**

The Service Plan authorizes the Districts to construct streets, drainage facilities, bridges, parking facilities, street landscaping, park and recreation facilities and public transportation facilities. The Developer estimates that the total cost of public improvements necessary to serve the Development is approximately $57.3 million. Of this amount, approximately $40.4 million of improvements, or 71% of the total, have been constructed. The remaining approximately $16.9 million of improvements, or 29% of the total, have not yet been constructed.

Existing Public Improvements. Since approximately 2006, approximately $40 million of public improvements related to the Development have been constructed by the BVO and other prior developers. A portion of these costs have been reimbursed by the District to BVO and other prior developers; however, additional unreimbursed expenses remain. See "THE DISTRICT – Agreements of the Districts – Developer Reimbursement Agreements." These improvements include, but are not limited to, the Main Parking Garage, snowmelt systems, the Transit Center, road bridges, the Conference Center, street and road improvements, skier bridges and a fire truck. Currently, substantially all public improvements necessary to support the planned Development have been constructed.

**Environmental Matters**

On November 24, 2015, Tetra Tech, Louisville, Colorado, issued a Phase I Environmental Report on the property in the Development (the "Phase I"). The Phase I states that Tetra Tech did not recognize any "recognized environmental conditions" associated with the property. The Phase I states, however, that the condensate pumps in Buildings 2A and 13A could potentially be recognized environmental conditions due to their location, limited access and other factors. The Phase I also notes that chemicals are stored on the property, various elevators, escalators and trash compactors contain hydraulic flue and three discharges of treated water to Brush Creek exist, all of which are subject to water quality monitoring.

**Restrictive Covenants**

The original developers created the Base Village Company, Inc., a Colorado nonprofit corporation (the "Master Association") as the master property owners' association for the entire development. The original developers' practice was to create smaller additional property owners' associations as each building was constructed and record Declarations of Covenants, Conditions and Restrictions for the applicable property. Accordingly, the original developers also created the Capitol Lodge Homeowners Association, Inc. (for the residential units in Buildings 2A, 2B and 2C), Hayden Lodge Condominium Association, Inc. (for the residential units in Building 3), Building 3 Condominium Association, Inc. (for the non-residential units in Building 3) and Assay Hill Lodge Condominium Association, Inc. (for the residential units in Building 13A). The covenants restrict the uses of the property and generally obligate owners to maintain the property in accordance with the requirements set forth therein. The Developer expects that it will continue this practice and will form a new property owners' association for new portions of the Development as they are constructed.

**Fanny Hill Site**

District No. 2 includes a 1.9-acre parcel of vacant property located several hundred feet west of Base Village, directly adjacent to the Fanny Hill ski run (the "Fanny Hill Site"). The Fanny Hill Site is not part of the Development and is not regulated by the Amended PUD. Rather, development of the Fanny Hill Site is regulated by the Fanny Hill Cabins Planned Unit Development approved by the Town in 2004 (the "Fanny Hill PUD"). The Fanny Hill PUD permits the development of up to 10 multi-family dwelling units which may include townhomes and condominiums, which may not exceed 25,875 square feet of gross floor area and which requires the inclusion of a caretaker housing unit on the parcel.

The Fanny Hill Site was platted in 2004 as a single parcel, with a skier access and trail easement running through the parcel. The Fanny Hill PUD (as amended in 2016) imposes the following conditions: (a) no building permits will be issued for construction on the Fanny Hill Site until construction of Building 5 of Base Village has substantially commenced, by July 1, 2017 for a Limelight brand hotel, to be completed by November 1, 2018 and (b) no certificates of occupancy will be issued on the Fanny Hill Site until temporary certificates of occupancy have been issued for Buildings 4 and 5 of Base Village. The Developer plans to begin construction of Buildings 4 and 5 in April 2017, with completion scheduled for November 2018. The Developer currently plans to construct 10 townhome units in two buildings, with an average size per unit of approximately 2,500 square feet, although such plans are subject to change.

The Fanny Hill Site is owned by Brush Creek Land Company, LLC, which is the land development subsidiary of Aspen Skiing Company. The Market Analysis includes projected development of 10 townhomes on this property. See Appendix B. The Developer expects construction to begin in April 2019.

**The Developer**

Prior Developer. The current owner of the Development is Snowmass Acquisition Company LLC, a Delaware limited liability company (the "Prior Developer"). The Prior Developer is owned by the Related Companies, a privately-owned real estate firm based in New York City ("Related" or the "Prior Developer"). As of the date of this Limited Offering Memorandum, the Prior Developer is the owner of the Prior Developer's Interest. Pursuant to the Purchase Agreement described above, however, the Prior Developer is expected to sell all of its interests in the Development to the Developer. The closing of this Sale is a condition to the sale of the Bonds.

Prospective Developer. The prospective developer of the Development is a joint venture between East West Partners, Inc., a Colorado corporation ("East West"), an affiliate of Aspen Skiing Company LLC and an affiliate of KSL Capital Partners ("KSL"). The joint venture is Snowmass Ventures, LLC, a Delaware limited liability company, referred to herein as the "Developer." East West is the manager of the Developer.

Aspen Skiing Company is the owner and operator of the four ski mountains in the Aspen area: Aspen, Snowmass, Aspen Highlands and Buttermilk. Aspen Skiing Company also

owns hospitality properties including the Little Nell Hotel and Limelight Hotel in Aspen and the Limelight Hotel in Ketchum, Idaho. Aspen Skiing Company also owns and operates various retail and residential rental properties in the Roaring Fork Valley.

KSL is a global private equity firm based in Denver, Colorado, focused on travel and leisure investments. KSL's equity is expected to come from its most recent fund, KSL IV, which closed with total commitments of approximately $2.677 billion in September 2015. In the joint venture, affiliates KSL and Aspen Skiing Company are each obligated to contribute 48% of the required project equity, and East West is obligated to provide 4%.

East West is a national real estate development company based in Avon, Colorado, which was founded in 1986 with the purchase of land in the then-emerging resort of Beaver Creek. Since that time, East West has developed more than 60 projects comprising more than $3.0 billion of residential and commercial real estate in both resort and urban locations across the country.

East West is currently under construction on a number of projects across the country. In the resort setting, these include a 27-unit ski-in/ski-out community in Deer Valley, Utah called One Empire Pass, and 13 single-family, four-bedroom homes on the Hawaiian island of Kauai. East West is also under construction on a 430,000 square foot office building in Denver's Union Station neighborhood, a 342-unit condominium tower also in the Union Station neighborhood and eight urban row homes in Denver's Boulevard One neighborhood. East West also recently finished the Triangle Building, a ten-story, approximately 200,000 square foot, office building in Denver's Union Station neighborhood.

East West's activities in the Development as a member of the Developer and its manager are expected to be led by Andy Gunion, Managing Partner, and Jim Telling, Project Manager.

*Andy Gunion.* Mr. Gunion led the Developer's development of the Westin Riverfront Resort and Spa in Avon, Colorado, which opened in 2008. In 2012, Mr. Gunion became the Chief Financial Officer of the Developer. He also serves as the Managing Partner of the Base Village project and plans to relocate to the Aspen area upon the closing of the Purchase Agreement. Mr. Gunion's duties with regard to the Development are executive oversight of the financing, development and operations of Base Village. Mr. Gunion previously worked for Vail Resorts Development Company, after which he obtained an MBA and Master of Real Estate Development from the University of Southern California before returning to the Vail Valley. Mr. Gunion is a member of several homeowners associations and metropolitan district boards and is on the board of directors of the Vail Valley Mountain Bike Association.

*Jim Telling.* Mr. Telling has overseen numerous development projects in Vail, Beaver Creek, Bachelor Gulch and Lake Tahoe including the Ritz Carlton in Lake Tahoe. His most recent townhome project received LEED Gold certification. He has served on numerous boards of directors of homeowner associations and nonprofit organizations. He began his career as a Certified Public Accountant with Deloitte, Haskins and Sells and then moved on to Vail Associates in a variety of roles. Mr. Telling's duties with regard to the Development are day-to-day management of design, development and construction of future Base Village phases.

**Public Services for the Development**

The Development is in the Town, which provides most municipal services. The Town provides police protection, public works, public transportation and zoning and land use reviews and approvals. Public education is provided by Aspen School District RE-1. All public schools are located in the City of Aspen approximately 10 miles from Snowmass. Fire protection is provided by the Snowmass-Wildcat Fire Protection District. Health care is provided by Aspen Valley Hospital District. The Development is also located in the Pitkin County Library District and the Aspen Historic Park and Recreation District. Natural gas is provided by Black Hills Energy and electricity is provided by Holy Cross Energy.

Water and sanitation service is provided by Snowmass Water and Sanitation District ("SWSD"). On May 28, 2015, SWSD issued a "will serve" letter to the Town stating that SWSD will provide water and sanitary sewer service to the development described in the Amended PUD so long as applicable tap fees are paid, improvements are built to SWSD's specifications and conveyed to SWSD, and other requirements.

**Snowmass Ski Resort**

Snowmass Ski Resort opened in 1967 and is owned and operated by Aspen Skiing Company. Snowmass contains approximately 3,332 skiable acres, making it the largest of the four Aspen-are ski mountains and the second largest ski resort in Colorado. Snowmass contains 20 lifts and 94 runs, and the most vertical feet of any ski resort in the United States. The base elevation is 8,104 feet and the top elevation is 12,510 feet. See "ECONOMIC AND DEMOGRAPHIC INFORMATION – Tourism and Recreation" for additional information regarding skiing and other recreational amenities in and around Snowmass.

## FINANCIAL INFORMATION OF THE DISTRICTS

**Sources of Revenues**

General; Ad Valorem Property Taxes. Ad valorem property taxes, described below and in "PROPERTY TAXATION, ASSESSED VALUATION AND OVERLAPPING DEBT" constitute the largest source of revenue for the Districts and are expected to be the primary source of Pledged Revenue for the Bonds. Additional sources of revenue include specific ownership taxes, Capital Facility Fees, revenue from operations (for District No. 1) and interest income. Projected revenues and expenditures of the Districts are set forth in the Cash Flow Forecast attached hereto as Appendix D. See "RISK FACTORS – Risks Related to the Projections."

Specific Ownership Taxes. The Pledged Revenue includes the portions of the Specific Ownership Tax (defined below) which are collected as a result of the imposition of the Required Mill Levy. The State Constitution requires the General Assembly to enact laws classifying motor vehicles and requiring payment of a graduated annual specific ownership tax thereon, which tax is to be in lieu of ad valorem property taxes on motor vehicles. Accordingly, the State imposes such a tax (the "Specific Ownership Tax"), which is payable at a graduated rate which varies from 2.1% of taxable value in the first year of ownership, to $3 per year in the tenth year of ownership and thereafter. The Specific Ownership Tax is collected by each county

clerk and recorder at the time of motor vehicle registration. Most Specific Ownership Tax revenues (including revenues received from owners of passenger cars and trucks, which constitute the majority of Specific Ownership Tax revenues) are paid directly to the county treasurer of the county in which the revenues are collected. Specific Ownership Tax revenues on certain types of vehicles are paid by the counties to the State and are then distributed back to the counties in the proportion that the mileage of the State highway system located within the boundaries of each county bears to the total mileage of the State highway system.

Each county apportions its Specific Ownership Tax revenue to each political subdivision in the county in the proportion that the amount of ad valorem property taxes levied by the political subdivision in the previous year bears to the total amount of ad valorem property taxes levied by all political subdivisions in the county in the previous year. Based upon these percentages, each county then distributes Specific Ownership Tax revenue to each political subdivision on the tenth day of each month. Accordingly, the amount of Specific Ownership Tax which is received by each District depends upon the amount of ad valorem property taxes levied by that District.

Capital Facility Fees. The Districts impose a Capital Facility Fee within District No. 2 pursuant to the Capital Facility Fee Resolution. The Capital Facility Fee and Capital Facility Fee Resolution are described in "SECURITY FOR THE BONDS – Capital Facility Fees."

Operations Revenue. District No. 1 receives revenue from the operation of the Transit Center, the Main Parking Garage and the Conference Center. See "THE DISTRICTS – Agreements of the Districts."

**Budget Process**

The Districts are required by law to adopt an annual budget setting forth: all proposed expenditures for the administration, operations, maintenance, debt service, and capital projects to be undertaken during the budget year of all offices, units, departments, boards, commissions, and institutions of the applicable District; anticipated revenues; estimated beginning and ending fund balances; actual figures for the prior fiscal year and estimated figures projected through the end of the current fiscal year; a written budget message describing the important features of the proposed budget; and explanatory schedules or statements classifying the expenditures by object and the revenues by source. No budget shall provide for expenditures in excess of revenues by source.

No later than October 15 of each year, the person appointed to prepare the budget must submit a proposed budget to the Boards for the ensuing year. Under certain circumstances, the Boards must cause to be published a notice that such proposed budget is open for inspection by the public. Prior to adoption, any eligible elector of the Districts may register his or her objections to the proposed budgets. Each District must adopt its budget by December 15 if it is imposing a mill levy. After adoption of the budget, the Boards must enact a corresponding appropriation resolution before the beginning of the fiscal year. If either District fails to file a certified copy of its budget within thirty days following the beginning of the fiscal year (i.e., by the following January 30) with the Colorado Division of Local Government in the Department of

Local Affairs, the division may authorize the County Treasurer to prohibit release of such District's tax revenues and other moneys held by the County Treasurer until such District files its budget.

In general, the Districts cannot expend money for any of the purposes set out in the appropriation resolution in excess of the amount appropriated. However, in the case of an emergency or some contingency which could not have been reasonably foreseen, the Boards may authorize the expenditure of funds in excess of the budget by adopting a resolution. If a Taxing District receives revenues which were unanticipated at the time of adoption of the budget (other than property taxes), the applicable Board may authorize the expenditure of such revenues by adopting a supplemental budget after notice and hearing.

**Financial Statements**

Under State law, each Board is required to have the financial statements of the applicable Taxing District audited annually. The audited financial statements must be filed with the Boards by June 30 of each year and with the State Auditor 30 days later. If either District fails to file its audit report with the State Auditor, the State Auditor may, after notice to such District, authorize the County Treasurer to prohibit release of the applicable District's tax revenues and other moneys held by the County Treasurer until the District files the audit report. The audited financial statements of the Districts for the year ended December 31, 2015, and the reports of the certified public accountants, are included in this Limited Offering Memorandum in Appendices A and B, respectively. The audited financial statements included in Appendices A and B represent the most recent audited financial statements of the Districts.

**Funds of the Districts**

Each District uses a General Fund as its primary operating fund, accounting for all financial resources of the general government, except those required to be accounted for in another fund. In addition, District No. 1 uses a Capital Projects Fund to account for financial resources to be used for the acquisition or construction of major capital facilities. District No. 2 also uses a Debt Service Fund to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds. District No. 1 used a Capital Projects Fund until December 31, 2014.

**History of Revenues and Expenditures**

District No. 1. Set forth below is a five-year comparative statement of revenues, expenditures and changes in fund balance for District No. 1's General Fund and Capital Projects Fund. The figures in the charts below have been derived from District No. 1's audited financial statements for the years ended December 31, 2011 through 2015, and are set forth in accordance with generally accepted accounting principles. District No. 1's audited financial statements for the year ended December 31, 2015 are attached as Appendix A. Audited financial statements for the years ended December 31, 2011 through 2014 may be obtained from the sources noted in "INTRODUCTION – Additional Information."

## Statement of Revenue, Expenditures and Changes in Fund Balance – District No. 1 General Fund

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| REVENUES | | | | | |
| Property taxes | $176,277 | $163,165 | $155,616 | $123,735 | $124,328 |
| Specific ownership tax | 4,277 | 5,031 | 4,661 | 4,162 | 3,954 |
| Intergovernmental revenue[(1)] | 237,842 | 178,058 | 187,116 | 210,792 | 220,106 |
| Investment income | 221 | 171 | 349 | 328 | 1,244 |
| Other income | -- | -- | -- | -- | 541 |
| Transit center revenue | 970 | 411 | 587 | 471 | 181 |
| Parking garage user fees | 237,149 | 240,325 | 345,772 | 364,092 | 421,965 |
| Conference center revenue | 24,041 | 32,200 | 31,845 | 25,000 | 25,000 |
| Total | 680,777 | 619,361 | 725,946 | 728,580 | 797,319 |
| EXPENDITURES | | | | | |
| Accounting | 58,851 | 51,907 | 46,628 | 37,195 | 31,429 |
| Administrative | -- | -- | -- | 25,000 | 25,000 |
| Audit | 8,422 | 8,604 | 8,902 | 9,112 | 9,300 |
| County Treasurer's fees | 8,814 | 8,158 | 7,784 | 6,178 | 6,216 |
| Insurance and bonds | 29,979 | 35,289 | 35,455 | 37,369 | 41,471 |
| Legal services | 86,103 | 85,270 | 64,794 | 28,964 | 52,314 |
| Professional fees | 20,577 | 12,883 | -- | -- | -- |
| Utilities | 449 | 325 | 497 | 693 | 3,051 |
| Bank and merchant fees | 389 | 6,460 | 6,693 | 632 | 547 |
| Miscellaneous | 337 | -- | -- | 485 | -- |
| Conference center operations | 134,079 | 139,390 | 157,008 | 114,802 | 120,185 |
| Parking garage operations | 301,027 | 404,284 | 375,585 | 393,316 | 400,141 |
| Transit center operations | 127,562 | 136,234 | 171,822 | 179,189 | 180,068 |
| Interest expense – County | -- | 675 | -- | -- | -- |
| Total | 776,589 | 889,479 | 875,409 | 832,944 | 869,722 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (95,812) | (270,118) | (149,463) | (104,364) | (72,403) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Developer advance (repayment) | 55,000 | 285,000 | 250,000 | -- | 85,000 |
| Total | 55,000 | 285,000 | 250,000 | -- | 85,000 |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | (40,812) | 14,882 | 100,537 | (104,364) | 12,597 |
| FUND BALANCE – BEG. OF YEAR | 38,648 | (2,164) | 12,718 | 113,255 | 8,891 |
| FUND BALANCE - END OF YEAR | $(2,164) | $12,718 | $113,255 | $8,891 | $21,488 |

(1) Represents payments received by District No. 1 from District No. 2 for operations and maintenance services. See "THE DISTRICTS – Agreements of the Districts – Master District IGA."

Sources: District No. 1's audited financial statements for the years ended December 31, 2011-15.

## Statement of Revenue, Expenditures and Changes in Fund Balance – District No. 1 Capital Projects Fund

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| REVENUES | | | | | |
| Intergovernmental revenue | $1,102,921 | $ -- | $ -- | $ -- | $ -- |
| Interest income | -- | 1,226 | 538 | -- | -- |
| Total | 1,102,921 | 1,226 | 538 | -- | -- |
| EXPENDITURES | | | | | |
| Accounting | 4,661 | 9,933 | -- | -- | -- |
| Legal services | 195,440 | 18,750 | 5,288 | 11,737 | -- |
| Engineering | 1,600 | -- | -- | -- | -- |
| Capital outlay | 71,176 | 27,649 | 8,272 | 12,559 | -- |
| Total | 272,877 | 56,332 | 13,560 | 24,296 | -- |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 830,044 | (55,106) | (13,022) | (24,296) | -- |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Developer advance (repayment) | -- | (285,000) | (250,000) | -- | (85,000) |
| Total | -- | (285,000) | (250,000) | -- | (85,000) |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 830,044 | (340,106) | (263,022) | (24,296) | (85,000) |
| FUND BALANCE – BEG. OF YEAR | -- | 830,044 | 489,938 | 226,916 | 202,620 |
| FUND BALANCE - END OF YEAR | $830,044 | $489,938 | $226,916 | $202,620 | $117,620 |

Sources: District No. 1's audited financial statements for the years ending December 31, 2011-15.

District No. 2. Set forth below is a five-year comparative statement of revenues, expenditures and changes in fund balance for District No. 2's General Fund and Debt Service Fund. The figures in the charts below have been derived from District No. 2's audited financial statements for the years ended December 31, 2011 through 2015 and are set forth in accordance with generally accepted accounting principles. District No. 2's audited financial statements for the year ended December 31, 2015 are attached as Appendix B. Audited financial statements for the years ended December 31, 2011 through 2014 may be obtained from the sources noted in "INTRODUCTION – Additional Information."

Statement of Revenue, Expenditures and
Changes in Fund Balance – District No. 2 General Fund

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| REVENUES | | | | | |
| Property taxes | $243,985 | $181,765 | $192,375 | $214,283 | $223,115 |
| Specific ownership tax | 5,937 | 5,576 | 5,742 | 7,128 | 7,808 |
| Investment income | 119 | 28 | 87 | 95 | 350 |
| Total | 250,041 | 187,369 | 198,204 | 221,506 | 231,273 |
| EXPENDITURES | | | | | |
| County Treasurer's fees | 12,199 | 9,027 | 9,619 | 10,714 | 11,167 |
| Interest expense – County | -- | 1,753 | -- | -- | -- |
| Intergovernmental payments[(1)] | 237,842 | 178,058 | 187,116 | 210,792 | 220,106 |
| Total | 250,041 | 188,838 | 196,735 | 221,506 | 231,273 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | -- | (1,469) | 1,469 | -- | -- |
| FUND BALANCE – BEG. OF YEAR | -- | -- | (1,469) | -- | -- |
| FUND BALANCE - END OF YEAR | $ -- | $(1,469) | $ -- | $ -- | $ -- |

(2) Represents payments received by District No. 1 from District No. 2 for operations and maintenance services. See "THE DISTRICTS – Agreements of the Districts – Master District IGA."

Sources: District No. 2's audited financial statements for the years ended December 31, 2011-15.

## Statement of Revenue, Expenditures and Changes in Fund Balance – District No. 2 Debt Service Fund

| | Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| REVENUES | | | | | |
| Property taxes | $1,524,024 | $1,135,372 | $1,201,647 | $1,338,072 | $1,393,663 |
| Specific ownership tax | 37,081 | 34,831 | 35,890 | 44,554 | 48,799 |
| Capital facility fees | 25,750 | -- | 283,250 | 103,000 | 72,100 |
| Investment income | 4,488 | 5,590 | 2,553 | 2,325 | 4,774 |
| Total | 1,591,343 | 1,175,793 | 1,523,340 | 1,487,951 | 1,519,336 |
| EXPENDITURES | | | | | |
| County Treasurer's fee | 76,244 | 56,414 | 60,116 | 66,959 | 69,798 |
| Interest expense – County | -- | 10,957 | -- | -- | -- |
| Miscellaneous | -- | -- | 2,658 | -- | -- |
| Bond principal | -- | 4,375,000 | -- | 600,000 | 620,000 |
| Bond interest | 335,250 | 27,122 | 13,524 | 853,123 | 816,060 |
| Bond issue costs | -- | -- | 806,412 | -- | -- |
| Paying agent/trustee fees | 10,500 | 6,650 | 6,500 | -- | 3,000 |
| Letter of credit fees | 508,542 | 319,466 | 311,172 | -- | -- |
| Remarketing fees | 148,353 | 30,400 | 22,800 | -- | -- |
| Total | 1,078,889 | 4,826,009 | 1,223,182 | 1,520,082 | 1,508,858 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 512,454 | (3,650,216) | 300,158 | (32,131) | 10,478 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Bond issuance | -- | -- | 44,060,000 | -- | -- |
| Refunding payment | -- | -- | (44,297,000) | -- | -- |
| Transfer from District No. 1 | -- | 20,600 | -- | -- | -- |
| Transfer to (from) other fund | (11,727) | (190,287) | 102,361 | 10 | -- |
| Total | (11,727) | (169,687) | (134,639) | 10 | -- |
| EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) | 500,727 | (3,819,903) | 165,519 | (32,121) | 10,478 |
| FUND BALANCE – BEG. OF YEAR | 4,444,657 | 4,945,384 | 1,125,481 | 1,291,000 | 1,258,879 |
| FUND BALANCE - END OF YEAR | $4,945,384 | $1,125,481 | $1,291,000 | $1,258,879 | $1,269,357 |

Sources: District No. 2's audited financial statements for the years ending December 31, 2011-15.

Statement of Revenue, Expenditures and
Changes in Fund Balance – District No. 2 Capital Projects Fund

| | Years Ended December 31, | | | |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014[(1)] |
| REVENUES | | | | |
| Investment income | 1,438 | 82 | 123 | -- |
| Total | 1,438 | 82 | 123 | -- |
| EXPENDITURES | | | | |
| Intergovernmental | 1,102,921 | -- | -- | -- |
| LOC extension costs | 161,073 | 127,684 | -- | -- |
| Total | 1,263,994 | 127,684 | -- | -- |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,262,556) | (127,602) | 123 | -- |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from (to) other fund | 11,727 | 190,287 | (102,361) | (10) |
| Total | 11,727 | 190,287 | (102,361) | (10) |
| EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES) | (1,250,829) | 62,685 | (102,238) | (10) |
| FUND BALANCE – BEG. OF YEAR | 1,290,392 | 39,563 | 102,248 | 10 |
| FUND BALANCE - END OF YEAR | $39,563 | $102,248 | $ 10 | $ -- |

(1) District No. 2 discontinued the use of the Capital Projects Fund as of December 31, 2014.

Sources: District No. 2's audited financial statements for the years ended December 31, 2011-14.

## Budget Summary and Comparison

District No. 1. Set forth below are statements of District No. 1's 2015 budget and 2016 budget for each governmental fund as compared to District No. 1 2015 audited figures and year-to-date 2016 unaudited figures. The figures in the chart have been derived from District No. 1's 2015 budget, 2016 budget, audited financial statements for the year ended December 31, 2015, and unaudited interim financial statements and are set forth in accordance with generally accepted accounting principles.

## Budget Summary and Comparison – District No. 1 General Fund

| | 2015 | | | 2016 | |
|---|---|---|---|---|---|
| | Final Budget[2] | Actual | Variance | Budget | Year-to-Date Actual[1] |
| REVENUES | | | | | |
| Property taxes | $124,328 | $124,328 | $ -- | $114,600 | $114,600 |
| Specific ownership tax | 3,730 | 3,954 | 224 | 3,440 | 1,527 |
| Intergovernmental revenue[3] | 218,544 | 220,106 | 1,562 | 217,631 | 174,919 |
| Investment income | 150 | 1,244 | 1,094 | 150 | 671 |
| Transit center revenue | 1,771 | 181 | (1,590) | 2,011 | 171 |
| Parking garage user fees | 391,939 | 421,965 | 30,026 | 399,500 | 350,952 |
| Other income | -- | 541 | 541 | -- | -- |
| Conference center revenue | 25,000 | 25,000 | -- | 25,000 | 12,500 |
| Total | 765,462 | 797,319 | 31,857 | 762,332 | 655,340 |
| EXPENDITURES | | | | | |
| Accounting | 32,000 | 31,429 | 571 | 38,000 | 16,480 |
| Administrative | 25,000 | 25,000 | -- | 25,750 | 14,583 |
| Audit | 9,400 | 9,300 | 100 | 9,700 | -- |
| County Treasurer's fees | 6,216 | 6,216 | -- | 5,730 | 5,730 |
| Insurance and bonds | 41,500 | 41,471 | 29 | 43,130 | 43,110 |
| Legal services | 52,500 | 52,314 | 186 | 35,000 | 27,381 |
| Utilities | 3,100 | 3,051 | 49 | 500 | 5,642 |
| Bank and Merchant fees | 1,150 | 547 | 603 | 1,150 | 343 |
| Conference center operations | 122,000 | 120,185 | 1,815 | 116,039 | 53,630 |
| Parking garage operations | 400,500 | 400,141 | 359 | 408,415 | 238,008 |
| Transit center operations | 180,500 | 180,068 | 432 | 189,349 | 106,759 |
| Contingency | 10,134 | -- | 10,134 | 8,129 | -- |
| Total | 884,000 | 869,722 | 14,278 | 880,892 | 511,742 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (118,538) | (72,403) | 46,135 | (118,560) | 143,598 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Developer advance | 90,000 | 85,000 | (5,000) | 110,000 | -- |
| Total | 90,000 | 85,000 | (5,000) | 110,000 | -- |
| NET CHANGE IN FUND BALANCE | (28,538) | 12,597 | 41,135 | (8,560) | 143,598 |
| FUND BALANCE – BEG. OF YEAR | 28,641 | 8,891 | (19,750) | 31,549 | 21,488 |
| FUND BALANCE - END OF YEAR | $103 | $21,488 | $21,385 | $22,989 | $165,086 |

(1) Unaudited financial statements for the period January 1, 2016, through June 30, 2016. **[To be updated through 9/30/16]**

(2) Property tax and specific ownership tax revenues are generated from the District's imposition of an operations mill levy of 10 mills.

(3) Represents payments received by District No. 1 from District No. 2 for operations and maintenance services. See "THE DISTRICTS – Agreements of the Districts – Master District IGA."

Sources: The District's adopted budget for 2016, year-to-date unaudited financial statements and audited financial statements for the year ended December 31, 2015.

## Budget Summary and Comparison – District No. 1 Capital Projects Fund

| | 2015 | | | 2016 | |
|---|---|---|---|---|---|
| | Budget | Actual | Variance | Budget | Year-to-Date Actual[(1)] |
| REVENUES | | | | | |
| Interest income | $ 400 | $ -- | $(400) | $ -- | $ -- |
| Total | 400 | -- | (400) | -- | -- |
| EXPENDITURES | | | | | |
| Legal services | 33,330 | -- | 33,330 | -- | -- |
| Capital outlay | 20,000 | -- | 20,000 | 100,000 | -- |
| Contingency | 50,000 | -- | 50,000 | 17,620 | -- |
| Total | 103,330 | -- | 103,330 | 117,620 | -- |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (102,930) | -- | 102,930 | (117,620) | -- |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Repay Developer advances | (90,000) | (85,000) | 5,000 | -- | -- |
| Total | (90,000) | (85,000) | 5,000 | -- | -- |
| NET CHANGE IN FUND BALANCE | (192,930) | (85,000) | 107,930 | (117,620) | -- |
| FUND BALANCE – BEG. OF YEAR | 192,930 | 202,620 | 9,690 | 117,620 | 117,620 |
| FUND BALANCE - END OF YEAR | $ -- | $117,620 | $117,620 | $ -- | $117,620 |

(1) Unaudited financial statements for the period January 1, 2016, through June 30, 2016. **[To be updated through 9/30/16]**

Sources: The District's adopted budget for 2016, year-to-date unaudited financial statements and audited financial statements for the year ended December 31, 2015.

District No. 2. Set forth below are statements of District No. 2's 2015 budget and 2016 budget for each governmental fund as compared to District No. 2 2015 audited figures and year-to-date 2016 unaudited figures. The figures in the chart have been derived from District No. 1's 2015 budget, 2016 budget, audited financial statements for the year ended December 31, 2015, and unaudited interim financial statements and are set forth in accordance with generally accepted accounting principles.

Budget Summary and Comparison – District No. 2 General Fund

| | 2015 | | | 2016 | |
|---|---|---|---|---|---|
| | Final Budget[2] | Actual | Variance | Budget | Year-to-Date Actual[1] |
| REVENUES | | | | | |
| Property taxes | $223,115 | $223,115 | $ -- | $221,970 | $181,003 |
| Specific ownership tax | 10,808 | 7,808 | (3,000) | 6,660 | 2,957 |
| Investment income | 350 | 350 | -- | 100 | 6 |
| Total | 234,273 | 231,273 | (3,000) | 228,730 | 183,966 |
| EXPENDITURES | | | | | |
| County Treasurer's fees | 11,167 | 11,167 | -- | 11,099 | 9,046 |
| Interest expense – County | -- | -- | -- | -- | 1 |
| Intergovernmental[3] | 223,106 | 220,106 | 3,000 | 217,631 | 174,919 |
| Total | 234,273 | 231,273 | 3,000 | 228,730 | 183,966 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | -- | -- | -- | -- | -- |
| FUND BALANCE – BEG. OF YEAR | -- | -- | -- | -- | -- |
| FUND BALANCE - END OF YEAR | $ -- | $ -- | $ -- | $ -- | $ -- |

(1) Unaudited financial statements for the period January 1, 2016, through June 30, 2016. **[To be updated through 9/30/16]**

(2) Figures for the original budget are provided in the audited financial statements attached as Appendix B.

(3) Represents payments received by District No. 1 from District No. 2 for operations and maintenance services. See "THE DISTRICTS – Agreements of the Districts – Master District IGA."

Sources: District No. 2's adopted budget for 2016, year-to-date unaudited financial statements and audited financial statements for the year ended December 31, 2015.

## Budget Summary and Comparison – District No. 2 Debt Service Fund

| | 2015 | | | 2016 | |
|---|---|---|---|---|---|
| | Budget | Actual | Variance | Budget | Year-to-Date Actual[(1)] |
| REVENUES | | | | | |
| Property taxes | $1,393,775 | $1,393,663 | $ (112) | $1,387,311 | $1,130,611 |
| Specific ownership tax | 41,810 | 48,799 | 6,989 | 41,620 | 18,477 |
| Capital facility fees | 133,900 | 72,100 | (61,800) | 154,500 | 10,300 |
| Investment income | 1,200 | 4,774 | 3,574 | 1,800 | 2,995 |
| Total | 1,570,685 | 1,519,336 | (51,349) | 1,585,231 | 1,162,383 |
| EXPENDITURES | | | | | |
| County Treasurer's fee | 69,689 | 69,798 | (109) | 69,366 | 56,637 |
| Bond principal | 620,000 | 620,000 | -- | 635,000 | -- |
| Bond interest | 874,195 | 816,060 | 58,135 | 871,639 | 290,970 |
| Paying agent/trustee fees | 8,000 | 3,000 | 5,000 | 8,000 | 3,000 |
| Total | 1,571,884 | 1,508,858 | 63,026 | 1,584,005 | 350,507 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,199) | 10,478 | 11,677 | 1,226 | 811,876 |
| FUND BALANCE – BEG. OF YEAR | 1,256,087 | 1,258,879 | 2,792 | 1,254,980 | 1,269,357 |
| FUND BALANCE - END OF YEAR | $1,254,888 | $1,269,357 | $14,469 | $1,256,206 | $2,081,233 |

(1) Unaudited financial statements for the period January 1, 2016, through June 30, 2016. **[To be updated through 9/30/16]**

(2) See "THE DISTRICTS – Agreements of the Districts – Omnibus Funding and Reimbursement Agreement."

Sources: District No. 2's adopted budget for 2016, year-to-date unaudited financial statements and audited financial statements for the year ended December 31, 2015.

## ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Limited Offering Memorandum contains general information concerning historic economic and demographic conditions in and surrounding the Town and the County. It is intended only to provide prospective investors with general information regarding the Districts' community. The information was obtained from the sources indicated and is limited to the time periods indicated. The District makes no representation as to the accuracy or completeness of data obtained from parties other than the District. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future.

### Population and Age Distribution

The following table sets forth a history of the population of the Town of Snowmass Village, Pitkin County and the State. Between 2000 and 2010, the population of the Town of Snowmass Village Aspen increased 55.1%; Pitkin County increase 15.3% and the State increased 16.9%.

Population

| | Town of Snowmass Village | | Pitkin County | | Colorado | |
|---|---|---|---|---|---|---|
| Year | Population | Percent Change | Population | Percent Change | Population | Percent Change |
| 1980 | 999 | -- | 10,338 | 67.1%% | 2,889,735 | 30.8% |
| 1990 | 1,449 | 45.0% | 12,661 | 22.5 | 3,294,394 | 14.0 |
| 2000 | 1,822 | 25.7 | 14,872 | 17.5 | 4,301,261 | 30.6 |
| 2010 | 2,826 | 55.1 | 17,148 | 15.3 | 5,029,196 | 16.9 |
| 2011 | 2,820 | (0.2) | 17,125 | (0.1) | 5,120,686 | 1.8 |
| 2012 | 2,842 | 0.8 | 17,226 | 0.6 | 5,193,097 | 1.4 |
| 2013 | 2,868 | 0.9 | 17,388 | 0.9 | 5,272,677 | 1.5 |
| 2014 | 2,862 | (0.2) | 17,622 | 1.3 | 5,356,626 | 1.6 |
| 2015 | 2,863 | 0.0 | 17,845 | 1.3 | 5,456,584 | 1.9 |

Sources: United States Department of Commerce, Bureau of the Census (1970-2010), and Colorado State Demography Office (2011-2015 estimates which are subject to periodic revision).

Age Distribution. The following table sets forth a projected comparative age distribution profile for the Town of Snowmass Village, Pitkin County, the State and the United States as of January 1, 2016.

Age Distribution

| Age | Town of Snowmass Village | Pitkin County | Colorado | United States |
|---|---|---|---|---|
| 0-17 | 15.0% | 16.0% | 23.3% | 23.0% |
| 18-24 | 6.4 | 6.5 | 9.6 | 9.8 |
| 25-34 | 15.3 | 14.0 | 14.3 | 13.4 |
| 35-44 | 14.1 | 14.1 | 13.4 | 12.6 |
| 45-54 | 13.7 | 15.5 | 13.2 | 13.3 |
| 55-64 | 17.8 | 17.3 | 12.8 | 12.8 |
| 65-74 | 12.5 | 11.6 | 8.2 | 8.8 |
| 75 and Older | 5.2 | 5.0 | 5.2 | 6.3 |

Source: © 2016 The Nielsen Company.

**Income**

The following table sets forth a five year history of the annual per capita personal income levels for the residents of Pitkin County, the State and the nation.

Annual Per Capita Personal Income

| Year[(1)] | Pitkin County | Colorado | United States |
|---|---|---|---|
| 2010 | $ 98,581 | $39,929 | $40,277 |
| 2011 | 105,113 | 42,946 | 42,453 |
| 2012 | 123,034 | 45,073 | 44,267 |
| 2013 | 109,132 | 46,792 | 44,462 |
| 2014 | 112,796 | 49,768 | 46,414 |
| 2015 | n/a | 50,899 | 48,112 |

(1) County figures posted November 2015; state and national figures posted September 2016. All figures are subject to periodic revisions.

Source: United States Department of Commerce, Bureau of Economic Analysis.

The following two tables reflect the Median Household Effective Buying Income ("EBI"), and also the percentage of households by EBI groups. EBI is defined as "money income" (defined below) less personal tax and nontax payments. "Money income" is defined as the aggregate of wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veterans Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income. Deductions are made for personal income taxes (federal, state and local), personal contributions to social insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as "disposable" or "after-tax" income.

Median Household Effective Buying Income Estimates[1]

| Year | Town of Snowmass Village | Pitkin County | Colorado | United States |
|---|---|---|---|---|
| 2012 | $54,635 | $54,137 | $43,515 | $41,253 |
| 2013 | 46,075 | 49,047 | 43,718 | 41,358 |
| 2014 | 47,599 | 52,997 | 47,469 | 43,715 |
| 2015 | 63,045 | 58,964 | 49,949 | 45,448 |
| 2016 | 64,607 | 62,493 | 52,345 | 46,738 |

(1) The difference between consecutive years is not an estimate of change from one year to the next; separate combinations of data are used each year to identify the estimated mean of income from which the median is computed.

Source: © The Nielsen Company, *SiteReports*, 2012-2016.

Percent of Households by Effective Buying Income Groups – 2016 Estimates

| Effective Buying Income Group | Town of Snowmass Village | Pitkin County | Colorado | United States |
|---|---|---|---|---|
| Less than $24,999 | 10.8% | 15.2% | 20.4% | 24.8% |
| $25,000 - 49,999 | 28.5 | 24.7 | 27.7 | 28.8 |
| $50,000 - 74,999 | 18.3 | 20.3 | 20.4 | 19.1 |
| $75,000 - 99,999 | 13.1 | 14.6 | 13.5 | 12.2 |
| $100,000 - 124,999 | 6.0 | 8.3 | 6.9 | 5.8 |
| $125,000 - 149,999 | 6.4 | 5.6 | 4.7 | 3.7 |
| $150,000 or More | 16.9 | 11.3 | 6.4 | 5.6 |

Source: © 2016 The Nielsen Company.

**Employment**

The following table sets forth information on employment within Pitkin County, the State and the nation for the time period indicated.

Labor Force and Employment

| | Pitkin County[1] | | Colorado[1] | | United States |
|---|---|---|---|---|---|
| Year | Labor Force | Percent Unemployed | Labor Force | Percent Unemployed | Percent Unemployed |
| 2011 | 10,926 | 7.8% | 2,736,079 | 8.4% | 8.9% |
| 2012 | 10,918 | 7.2 | 2,759,437 | 7.9 | 8.1 |
| 2013 | 10,833 | 6.4 | 2,780,536 | 6.8 | 7.4 |
| 2014 | 11,077 | 4.9 | 2,815,200 | 5.0 | 6.2 |
| 2015 | 10,799 | 3.8 | 2,828,529 | 3.9 | 5.3 |
| Month of August | | | | | |
| 2015 | 10,740 | 2.8% | 2,837,374 | 3.5% | 5.1% |
| 2016[2] | 10,933 | 2.7 | 2,903,499 | 3.3 | 4.9 |

(1) Figures are subject to change. Figures for Pitkin County and the State are not seasonally adjusted.
(2) Preliminary. Due to the seasonal nature of much of the employment in the County, the monthly estimates are not necessarily representative of overall employment in the County.

Sources: State of Colorado, Department of Labor and Employment, Labor Market Information, Colorado Areas Labor Force Data and U.S. Department of Labor, Bureau of Statistics.

The following table sets forth the number of individuals employed within selected Pitkin County industries which are covered by unemployment insurance. In 2015, the largest employment sector in Pitkin County was accommodation and food services (comprising approximately 26.6% of the county's work force), followed, in order, by government; arts, entertainment and recreation; retail trade; and real estate, rental and leasing. For the twelve-month period ended December 31, 2015, total average employment in Pitkin County decreased by (3.7)% as compared to the same twelve-month period ending December 31, 2014, and total average weekly wages increased 9.1% during the same time period.

Average Number of Employees Within Selected Industries - Pitkin County

| Industry | 2011 | 2012 | 2013 | 2014 | 2015 | 2016[1] |
|---|---|---|---|---|---|---|
| Agriculture, Forestry, Fishing, Hunting | 60 | 59 | 57 | 70 | 91 | 89 |
| Mining | n/a[2] | n/a[2] | n/a[2] | n/a[2] | n/a[2] | n/a[2] |
| Utilities | 10 | n/a[2] | n/a[2] | n/a[2] | n/a[2] | n/a[2] |
| Construction | 664 | 633 | 608 | 657 | 737 | 703 |
| Manufacturing | 89 | 80 | 88 | 109 | 112 | 113 |
| Wholesale Trade | 91 | 98 | 89 | 87 | 70 | 69 |
| Retail Trade | 1,197 | 1,267 | 1,266 | 1,319 | 1,381 | 1,406 |
| Transportation & Warehousing | 158 | 159 | 163 | 176 | 182 | 243 |
| Information | 179 | 161 | 157 | 160 | 170 | 170 |
| Finance & Insurance | 252 | 250 | 243 | 238 | 227 | 232 |
| Real Estate, Rental & Leasing | 1,205 | 1,199 | 1,277 | 1,275 | 1,297 | 1,481 |
| Professional & Technical Services | 706 | 707 | 710 | 687 | 721 | 711 |
| Management of Companies/Enterprises | 36 | 40 | 47 | 49 | 61 | 66 |
| Administrative & Waste Services | 1,332 | 1,478 | 1,602 | 1,806 | 924[3] | 819 |
| Educational Services | 206 | 203 | 211 | 231 | 241 | 205 |
| Health Care & Social Assistance | 398 | 414 | 357 | 394 | 398 | 406 |
| Arts, Entertainment & Recreation | 1,922 | 1,911 | 1,973 | 2,069 | 2,141 | n/a[2] |
| Accommodation & Food Services | 3,894 | 3,945 | 4,135 | 4,307 | 4,205 | 4,984 |
| Other Services | 676 | 715 | 684 | 699 | 721 | 757 |
| Non-classifiable | n/a[2] | n/a[2] | n/a[2] | n/a[2] | n/a[2] | n/a[2] |
| Government | 1,974 | 1,994 | 2,022 | 2,099 | 2,142 | 2,172 |
| Total [4] | 15,061 | 15,329 | 15,707 | 16,437 | 15,826 | 18,160 |

(1) Averaged figures for 1st quarter 2016.
(2) Due to confidentiality, figures were not released.
(3) Colorado Department of Labor and Employment sets forth that due to an annual re-file survey for the Quarterly Census of Employment and Wages program, approximately 1000 employed persons reported were reclassified to other counties resulting in a lower number of employees reported in the Administrative & Waste Services classification for 2015.
(4) Figures may not equal the total figure due to the rounding of averages or the inclusion in sums of employees that are not disclosed in individual classifications.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW).

The following table sets forth the selected major employers located in Pitkin County. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted; therefore, no representation can be made that these employers will continue to maintain their status as major employers.

Selected Major Employers in Pitkin County

| Employer | Product or Service | Estimated Numbers of Employees |
|---|---|---|
| Aspen Skiing Co.[(1)] | Ski resort | 1,000 - 4,999 |
| Pitkin County/City of Aspen | Local government | 500 - 699 |
| Aspen Valley Hospital | Hospital | 250 - 499 |
| St. Regis Aspen Resort | Hotel | 250 - 499 |
| The Westin Snowmass Resort | Hotel | 250 - 499 |
| Aspen School District No. 1 | Public education | 100 - 249 |
| Viceroy Snowmass | Hotel | 100 - 249 |
| Hotel Jerome | Hotel | 100 - 249 |
| Roaring Fork Transit Authority | Passenger transport | 100 - 249 |
| Aspen Snowmass Sotheby's Int'l Realty | Real estate/rentals | 100 - 249 |

(1) Aspen Skiing Company operates four ski facilities: Snowmass, Aspen Mountain, Aspen Highlands, and Buttermilk, as well as The Residences at Snowmass Club and The Little Nell Hotel. Aspen Skiing Company naturally has a higher number of winter employees and fewer summer employees for all its locations.

Source: State of Colorado Department of Labor and Employment, Labor Market Facts; Pitkin County/City of Aspen; and Aspen School District.

**Retail Sales**

The following table sets forth annual retail sales figures for the Town of Snowmass Village, Pitkin County and the State.

Retail Sales
(in thousands)

| Year | Town of Snowmass Village | Percent Change | Pitkin County | Percent Change | Colorado | Percent Change |
|---|---|---|---|---|---|---|
| 2011 | $133,819 | -- | $1,044,825 | -- | $154,697,943 | -- |
| 2012 | 129,025 | (3.6)% | 1,104,452 | 5.7% | 164,387,648 | 6.3% |
| 2013 | 163,804 | 27.0 | 1,163,902 | 5.4 | 172,784,033 | 5.1 |
| 2014 | 171,503 | 4.7 | 1,280,784 | 10.0 | 182,709,978 | 5.7 |
| 2015[(1)] | 185,578 | 8.2 | 1,378,441 | 7.6 | 182,845,695 | 0.1 |

(1) Figures are preliminary and subject to change.

Source: State of Colorado, Department of Revenue, Sales Tax Statistics, 2011-2015.

**Building Permits**

The following two tables set forth histories of building permits issued in the Town of Snowmass Village and in Pitkin County for the time periods indicated.

Building Permit Issuances in the Town of Snowmass Village[1]

| Year | Residential Permits | Commercial Permits | Total Permits Issued | Valuation |
|---|---|---|---|---|
| 2011 | 25 | 167 | 192 | $26,539,051 |
| 2012 | 77 | 23 | 100 | 45,848,974 |
| 2013 | 96 | 18 | 114 | 24,080,675 |
| 2014 | 113 | 23 | 136 | 64,399,027 |
| 2015 | 102 | 15 | 117 | 38,451,849 |

(1) Includes permits issued for new construction, additions, and remodels.

Source: Town of Snowmass Village, Community Development.

Building Permits Issued in Pitkin County

| Year | Permits | Value (in millions) |
|---|---|---|
| 2011 | 290 | $246.2 |
| 2012 | 378 | 268.9 |
| 2013 | 346 | 342.5 |
| 2014 | 392 | 571.2 |
| 2015 | 488 | 545.0 |

Source: Pitkin County Comprehensive Annual Financial Report, Year Ended December 31, 2015.

**Foreclosure Activity**

The following table sets forth data on the number of foreclosures filed for the time period indicated. Such information does not take into account the number of foreclosures which were filed and subsequently redeemed or withdrawn.

History of Foreclosures – Pitkin County

| Year | Number of Foreclosures Filed | Percent Change |
|---|---|---|
| 2011 | 115 | -- |
| 2012 | 113 | (1.7)% |
| 2013 | 56 | (50.4) |
| 2014 | 29 | (48.2) |
| 2015 | 23 | (20.7) |
| 2016[1] | 15 | -- |

(1) New foreclosure filings as of September 30, 2016.

Sources: Colorado Division of Housing (2011-2015) and Pitkin County Public Trustee Office (2016).

**Recreation and Tourism**

Year-round tourism and skiing-related businesses account for a significant portion of the employment and earned income of area residents.

The Ski Industry in the State. The 2015-16 ski season at Colorado's 25 resorts set an all-time high record for the number of skier visits - exceeding 13 million visits for the first time - according to Colorado Ski Country USA, a ski industry group. A skier visit represents one person visiting a ski area for all or any part of a day or night for the purpose of skiing or snowboarding. Colorado claimed 24% of the total national skier market of the 2015-16 season. An economic impact study commissioned and released in December 2015 by Colorado Ski Country USA and Vail Resorts, Inc. found that Colorado's ski industry generates a $4.8 billion annual economic impact, comprising a significant portion of the state's tourism and recreation sectors and supporting a sizeable share of the employment and tax base in Colorado's mountainous regions. Over the last several years, Colorado's ski towns have seen record sales tax revenues in both winter and summer. Out-of-state guests spent more than $300 per skier visit and booked more than 8.4 million nights in ski town lodges and hotels in 2013-14. In addition, the 2015-2016 season sales tax revenues reached highest-ever levels for nearly every ski community in the state. Ski towns often budget increased sales tax revenue to support affordable housing, transportation for workers pushed beyond the boundaries of town, and increased community amenities and services. According to the previously referenced study conducted by RRC Associates, skiing and snowboarding in Colorado support more than 46,000 year-round equivalent jobs in the amusement and recreation, lodging, food services, retail, and other sectors. These jobs generate an estimated $1.9 billion per year in labor income.

The Ski Industry in the Aspen Area. Aspen/Snowmass is comprised of four mountains: Snowmass, Aspen Mountain, Aspen Highlands, and Buttermilk and is owned by Aspen Skiing Company. All of the resort mountains are considered Destination Resorts, indicating they have a resort bed base and are more than a two-hour drive from the City of Denver. Aspen Skiing Company has invested approximately $68 million over the past five years on on-mountain improvements and hospitality upgrades, including new terrain, new restaurants, new children's centers and more.

Gwyn's High Alpine Restaurant is undergoing extensive remodeling to expand the building's capacity from 350 to 800 for the 2016-2017 season. The new High Alpine lift at Snowmass was completed in December 2015 and shortens the 11 minute ride to 6 minutes. In 2015, The Aspen Mountain ticket office/day locker space and the Aspen Highland's Cloud Nine Alpine Bistro were remodeled. In 2014, a state-of-the-art children's center at the base of Buttermilk opened. The Hideout facility offers kids programming, mixing indoor play with ski instruction. In 2012, Snowmass opened 230 acres of new terrain on Burnt Mountain featuring rolling, low-angle glades; and opened the new Elk Camp Restaurant for on-mountain dining. Buttermilk has been home to the ESPN's Winter X Games since 2002, and has reached an agreement to keep the Winter X Games through 2019. Aspen Mountain has been awarded the 2017 Audi FIS Alpine World Cup Finals by The International Ski Federation. This marks the first time the event has been held in the U.S. in 20 years with men's and women's events in downhill, super G, giant slalom and slalom.

Snowmass Ski Resort opened in 1967 and is owned and operated by Aspen Skiing Company. Snowmass contains approximately 3,332 skiable acres, making it the largest of the four Aspen-are ski mountains and the third largest ski resort in Colorado. Snowmass contains 20 lifts and 94 runs, and the most vertical feet of any ski resort in the United States. The base elevation is 8,104 feet and the top elevation is 12,510 feet. Aspen Skiing Company does not release skier visit data for each of its four resorts separately, but it does provide such data for all four resorts combined. The skier visits for the last five years are as follows:

Historical Skier Visit Totals for Aspen Snowmass[1]

| Year | Skier Visits[2] | Percent Change |
|---|---|---|
| 2011-2012 | 1,336,096 | -- |
| 2012-2013 | 1,356,108 | 1.5% |
| 2013-2014 | 1,485,237 | 9.5 |
| 2014-2015 | 1,453,431 | (2.1) |
| 2015-2016 | 1,521,694 | 4.7 |

(1) Aspen/Snowmass is comprised of four mountains: Snowmass, Aspen Mountain, Aspen Highlands, and Buttermilk.

(2) A skier visit represents one person visiting a ski area for all or any part of a day or night for the purpose of skiing or snowboarding.

Source: Aspen Skiing Company.

## TAX MATTERS

***General Matters***. In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the District with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the Owners of the Bonds. The extent of these other tax consequences will depend upon such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Bond Counsel is also of the opinion that, under existing State of Colorado statutes, to the extent interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State or any other state or jurisdiction.

***Original Issue Discount.*** The Bonds that have an original yield above their respective interest rates, as shown on the inside cover of this Limited Offering Memorandum (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond is added to the cost basis of the owner of the bond in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, (b) less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have

been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such bonds for a price that is higher or lower than the "adjusted issue price" of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

***Original Issue Premium.*** The Bonds that have an original yield below their respective interest rates, as shown on the inside cover of this Limited Offering Memorandum (collectively, the "Premium Bonds"), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

***Internal Revenue Service Audit Program and Pronouncements Concerning Political Subdivision Status***. The Internal Revenue Service has announced a program of auditing tax-exempt bonds which can include those issued by special purpose governmental units, such as the District, for the purpose of determining whether the Internal Revenue Service agrees (a) with the determination of bond counsel that interest on the Bonds is tax-exempt for federal income tax purposes or (b) that the District is in or remains in compliance with Internal Revenue Service regulations and rulings applicable to governmental bonds such as the Bonds.

One aspect of such an audit program is to determine whether or not the issuer of the bonds is a political subdivision of a state. For example, in examinations in the State of Florida involving the Village Center Community Development District (the "Village District"), the Internal Revenue Service in 2013 took the position in a technical advice memorandum (the "Village TAM") that the Village District was not a division of a state or local government. Any bonds issued by the Village District could not be tax-exempt for that reason. The Internal Revenue Service position was based on the fact that the Village District was organized and operated in a manner intended to ensure control of the Village District's board of directors by the private developer of the community served by the Village District, rather than an existing governmental body or an electorate made up of community residents or property owners. The Internal Revenue Service stated that the Village TAM would not be applied retroactively to the

Village District bonds issued prior to the date of the Village TAM. Determinations by the Internal Revenue Service such as the Village TAM are technically limited to and are applicable only to the issuer to whom the memorandum is addressed. In July 2016, the Internal Revenue Service closed the examinations with no change to the tax status of the bonds issued by the Village District, but the Village TAM has not been retracted.

On February 22, 2016, the United States Department of the Treasury released proposed regulations (as corrected on March 9, 2016, the "Proposed Regulations") that provide guidance regarding the definition of political subdivision for purposes of tax-exempt bonds. Under certain transition rules that apply to obligations issued not later than 90 days after the publication of final regulations in the Federal Register, the proposed definition will not apply to issuers of bonds, such as the District, for purposes of whether bonds are issued by a "State or political subdivision."

Bond Counsel has taken the Village TAM and the Proposed Regulations into consideration prior to reaching a conclusion that interest on the Bonds is excludible from gross income for federal income tax purposes. Opinions of Bond Counsel are not a guaranty of a particular outcome in the event of an audit of the Bonds, but are an expression of Bond Counsel's legal judgment with respect to the matters addressed therein as of the date the Bonds are issued. No assurance can be given that the Internal Revenue Service will not assert legal positions contrary to those taken by Bond Counsel if an audit of the Bonds is commenced at a later date. See "RISK FACTORS – Risk of Internal Revenue Service Audit."

***Backup Withholding***. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any owner of the Bonds who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax exempt obligations.

***Changes in Federal and State Tax Law***. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance

and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

## LEGAL MATTERS

### Litigation

In connection with the issuance of the Bonds, the Districts will provide certificates stating that no litigation of any nature is now pending or threatened, seeking to restrain or to enjoin the execution, issuance, or delivery of the Bonds, the Indenture, the Capital Pledge Agreement or the Bond Resolution, or in any manner questioning the authority or proceedings for the District No. 1 Elections or the District No. 2 Elections, or the issuance of the Bonds, or the execution and delivery of the Indenture or the Capital Pledge Agreement, or affecting the validity or enforceability of the District No. 1 Elections or the District No. 2 Elections, the Bonds, the Indenture, the Capital Pledge Agreement or the Bond Resolution, the pledge or collection of Pledged Revenue thereunder; and no litigation of any nature is now pending or, threatened, which, if determined adversely to the Districts, would have a material adverse effect upon the Pledged Revenue or the Districts' ability to comply with their obligations under (as applicable for each District) the Bond Resolution, the Indenture, the Capital Pledge Agreement or the Bonds, or to consummate the transactions contemplated thereby. The Districts' general counsel is expected to render an opinion stating that, to the best of its actual knowledge, there is no pending action, suit, proceeding, inquiry or investigation in which either District is a party.

### Recent Colorado Court of Appeals Case and Legislation

On April 21, 2016, the Colorado Court of Appeals issued an opinion in the case *Landmark Towers Association, Inc. v. UMB Bank, n.a.*, 2016 WL 1594047 (Colo. App. Apr. 21, 2016) (referred to herein as "Marin"). One of the primary issues involved in Marin is the eligibility of persons holding contracts to purchase property within a special district to vote in special district elections, including elections held for purposes of TABOR. The Marin litigation was filed by homeowners seeking to recover taxes paid to the Marin Metropolitan District (the "Marin District") and to enjoin the future levying of taxes on the basis that the persons who approved the Marin District's debt and taxes were not eligible electors. The Court determined that those persons' contracts to purchase property were invalid based upon certain factors. The Court also held that prospective homeowners who had entered into contracts to purchase condominiums in the Marin District were eligible electors. As a result, the Court held that the Marin District's TABOR election was conducted illegally and the taxes authorized by such election to pay the Marin District's bonds were levied illegally. The defendants have appealed the Marin decision to the Colorado Supreme Court. On November 7, 2016, the Colorado Supreme Court granted the defendants' petition for writ of certiorari and has agreed to hear the appeal of the Marin decision.

In response to the Marin decision, the Colorado General Assembly unanimously passed Senate Bill 16-211 ("SB 211"), which was signed into law by the Governor on May 18, 2016. SB 211 states that no special district election conducted prior to April 21, 2016, may be contested on the grounds that any person who voted at such election was not an eligible

elector, unless such a contest was initiated prior to April 21, 2016. It also generally validates the qualifications of all electors who voted at such election and all actions undertaken by any board member who may not have been qualified to serve on the board when appointed or elected on or before such election. SB 211 also states that the foregoing bar to election contests does not apply to challenges of elections held after January 1, 2012 on the grounds that federal or state constitutional rights of the eligible electors were violated nor to any challenges initiated prior to April 21, 2016, with respect to elections held before January 1, 2012. SB 211 has not been applied or interpreted by any court and there is no guarantee that SB 211 will effectively bar state or federal constitutional claims filed at any given time.

Bond Counsel has concluded, and will provide an opinion to the effect that, the Bonds constitute valid and binding obligations of the District payable from amounts collected from the imposition by the District of taxes and other revenues pledged in the Indenture, and that the Capital Pledge Agreement constitutes a valid and binding obligation of District No. 1 payable from the imposition by District No. 1 of taxes and other revenues pledged in the Capital Pledge Agreement.

**Sovereign Immunity**

The Colorado Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S. (the "Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the Districts, for injuries which lie in tort or could lie in tort.

The Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including: the operation of a non-emergency motor vehicle (including a light rail car), owned or leased by the public entity; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of $350,000; (b) for an injury to two or more persons in any single occurrence, the sum of $990,000; except in such instance, no person may recover in excess of $350,000. These amounts increase every four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index, with the first such increase to occur in 2017. Each Taxing District may increase any maximum amount that may be recovered from such Taxing District for certain types of injuries. However, the Districts may not be held liable either directly or by indemnification for punitive or exemplary damages unless such Taxing District voluntarily pays such damages in accordance with State law. The Districts have not acted to increase the damage limitations in the Immunity Act.

The Districts may be subject to civil liability and damages including punitive or exemplary damages under federal laws, and they may not be able to claim sovereign immunity for actions founded upon federal laws. Examples of such civil liability include suits filed pursuant to Section 1983 of Title 42 of the United States Code, alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the Districts may be enjoined from engaging in anti-competitive practices which violate federal and State antitrust laws. However, the Immunity Act provides that it applies to any State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

**Approval of Certain Legal Proceedings; Other Legal Relationships**

Legal matters relating to the issuance of the Bonds, as well as the treatment of interest on the Bonds for purposes of federal and State income taxation and the validity and enforceability of the Capital Pledge Agreement, are subject to the approving legal opinion of Kutak Rock, LLP, Denver, Colorado, as Bond Counsel. Such opinion, the form of which is attached hereto as Appendix I, will be dated as of and delivered at closing. Certain legal matters pertaining to the organization and operation of the Districts will be passed upon by its general counsel, White Bear Ankele Tanaka & Waldron Professional Corporation, Centennial, Colorado. In addition, the Developer is represented by Davis, Graham & Stubbs LLP, Denver, Colorado.

The District expects to pay Bond Counsel's and Underwriter's counsel's fees from proceeds of the Bonds; however, SAC has agreed to pay the legal fees of Bond Counsel and Underwriter's Counsel if the Bonds are not issued as expected. In addition to serving as Underwriter's counsel, Sherman & Howard L.L.C. also represents: (a) SAC and The Related Companies in connection with certain real estate matters regarding Base Village, but not in connection with the issuance of the Bonds; (b) East West and certain affiliates of East West in connection with projects other than Base Village and in connection with East West's (or its affiliates') status and activities as a member of the Developer; and (c) Aspen Skiing Company, but not in connection with the issuance of the Bonds or Base Village.

**Certain Constitutional Limitations**

In 1992, the voters of Colorado approved a constitutional amendment which is codified as Article X, Section 20, of the Colorado Constitution (the Taxpayers Bill of Rights or "TABOR"). In general, TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR generally applies to the State and all local governments, including the Districts ("local governments"), but does not apply to "enterprises," defined as government owned businesses authorized to issue revenue bonds and receiving under 10% of annual revenue in grants from all state and local governments combined.

Because some provisions of TABOR are unclear, litigation seeking judicial interpretation of its provisions has been commenced on numerous occasions since its adoption. Additional litigation may be commenced in the future seeking further interpretation of TABOR. No representation can be made as to the overall impact of TABOR on the future activities of the Districts, including their ability to generate sufficient revenues for its general operations, to undertake additional programs or to engage in any subsequent financing activities.

Voter Approval Requirements and Limitations on Taxes, Spending, Revenues, and Borrowing. TABOR requires voter approval in advance for: (a) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase, extension of an expiring tax, or a tax policy change causing a net tax revenue gain; (b) any increase in a local government's spending from one year to the next in excess of the limitations described below; (c) any increase in the real property tax revenues of a local government from one year to the next in excess of the limitations described below; or (d) creation of any multiple-fiscal year direct or indirect debt or other financial obligation whatsoever, subject to certain exceptions such as the refinancing of obligations at a lower interest rate.

TABOR limits increases in government spending and property tax revenues to, generally, the rate of inflation and a local growth factor which is based upon, for school districts, the percentage change in enrollment from year to year, and for non-school districts, the actual value of new construction in the local government. Unless voter approval is received as described above, revenues collected in excess of these permitted spending limitations must be rebated. Debt service, however, including the debt service on the Bonds, can be paid without regard to any spending limits, assuming revenues are available to do so. TABOR's tax increase limitations could cause the Districts' property tax revenues to decrease if the assessed valuation of taxable real property in the applicable Taxing District should decline, absent voter approval to increase the applicable Taxing District's property tax mill levy as explained above.

At the District No. 1 Elections and the District No. 2 Elections, the Districts' voters approved election questions which authorize each Taxing District, respectively, to retain excess revenues which may otherwise be required by TABOR to be refunded to taxpayers. As required by TABOR, the issuance of the Bonds the obligations of the Capital Finance Agreement was authorized at the District No. 1 Elections and the District No. 2 Elections.

Emergency Reserve Funds. TABOR also requires local governments to establish emergency reserve funds. The reserve fund must consist of at least 3% of fiscal year spending, excluding bonded debt service. TABOR allows local governments to impose emergency taxes (other than property taxes) if certain conditions are met. Local governments are not allowed to use emergency reserves or taxes to compensate for economic conditions, revenue shortfalls, or local government salary or benefit increases. The Districts have budgeted emergency reserves as required by TABOR.

Other Limitations. TABOR also prohibits new or increased real property transfer tax rates and local government income taxes. TABOR allows local governments to enact exemptions and credits to reduce or end business personal property taxes; provided, however, the local governments' spending is reduced by the amount saved by such action. With the exception of K-12 public education and federal programs, TABOR also allows local governments (subject to certain notice and phase out requirements) to reduce or end subsidies to any program delegated for administration by the general assembly; provided, however, the local governments' spending is reduced by the amount saved by such action.

**Police Power**

The obligations of the Districts are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including bankruptcy.

## NO RATING

The District has not submitted, and does not intend to submit, an application to any securities rating agency with respect to the Bonds.

## UNDERWRITING

D.A. Davidson & Co., Denver, Colorado (the "Underwriter") has agreed to purchase the Bonds from the District under a Bond Purchase Agreement at a purchase price equal to $_____ (which is equal to the par amount of the Bonds, less Underwriter's discount of $_____). The Underwriter is committed to take and pay for all of the Bonds if any are taken.

## INDEPENDENT AUDITORS

The financial statements of the Districts as of December 31, 2015, and for the year then ended, included herein as Appendices A and B, respectively, have been audited by Wagner, Barnes & Griggs, P.C., Certified Public Accountants, Lakewood, Colorado, as stated in its reports appearing herein.

## LIMITED OFFERING MEMORANDUM CERTIFICATION

The preparation of this Limited Offering Memorandum and its distribution have been authorized by the District. This Limited Offering Memorandum is hereby duly approved by the District as of the date on the cover page hereof.

**BASE VILLAGE METROPOLITAN DISTRICT NO. 2**

By: _____

# APPENDIX A

## AUDITED FINANCIAL STATEMENTS OF DISTRICT NO. 1 FOR THE YEAR ENDED DECEMBER 31, 2015

# APPENDIX B

## AUDITED FINANCIAL STATEMENTS OF DISTRICT NO. 2 FOR THE YEAR ENDED DECEMBER 31, 2015

# APPENDIX C

# MARKET ANALYSIS

# APPENDIX D

# CASH FLOW FORECAST

## APPENDIX E

## BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name

as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Bonds will be made to Cede& Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

*The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.*

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS LIMITED OFFERING MEMORANDUM TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

The District and the Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the Bonds, giving any notice permitted or required to be given to registered owners under the Indentures, including any notice of redemption, registering the transfer of Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and will not be affected by any notice to the contrary. The District and the Trustee will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC Direct Participant, Indirect Participant or other person not shown on the records of the Trustee as being a registered owner with respect to: the accuracy of any records maintained by DTC, any DTC Direct Participant or Indirect Participant regarding ownership interests in the Bonds; the payment by DTC, any DTC Direct Participant or Indirect Participant of any amount in respect of the principal of or interest or premium, if any, on the Bonds; the delivery to any DTC Direct Participant, Indirect Participant or any Beneficial Owner of any notice which is permitted or required to be given to registered owners under the Authorizing Document, including any notice of redemption; the selection by DTC, any DTC Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the Bonds; or any consent given or other action taken by DTC as a registered owner.

As long as the DTC book-entry system is used for the Bonds, the Trustee will give any notice of redemption or any other notices required to be given to registered owners of Bonds only to DTC or its nominee. Any failure of DTC to advise any DTC Direct Participant, of any DTC Direct Participant to notify any Indirect Participant, of any DTC Direct Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption or of any other action premised on such notice.

# APPENDIX F

# FORM OF CONTINUING DISCLOSURE AGREEMENT

# APPENDIX G

## SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The definitions and the descriptions of the Indenture in this Appendix G and in the body of this Limited Offering Memorandum under the captions "INTRODUCTION," "THE BONDS" and "SECURITY FOR THE BONDS" are qualified in all respects by reference to the Indenture. Copies of the Indenture may be obtained from the District and the Underwriter as provided under the caption "INTRODUCTION – Additional Information" in the body of this Limited Offering Memorandum.

**Definitions**

# APPENDIX H

## SUMMARY OF CERTAIN PROVISIONS OF THE CAPITAL PLEDGE AGREEMENT

The definitions and the descriptions of the Capital Pledge Agreement (the "Capital Pledge Agreement") in this Appendix I and in the body of this Limited Offering Memorandum are qualified in all respects by reference to the Capital Pledge Agreement. Copies of the Capital Pledge Agreement may be obtained from the District and the Underwriter as provided under the caption "INTRODUCTION – Additional Information" in the body of this Limited Offering Memorandum.

**Definitions**

# APPENDIX I

# FORM OF BOND COUNSEL OPINION