

Base Village Metropolitan District No.2

Independent Evaluation of Refinancing Proposal

Financial Advisor Report

December 21, 2016

Prepared by:



Table of Contents

- I. INTRODUCTION AND SCOPE OF WORK 3
- II. REVIEW OF FINANCING GOALS 3
- III. INDEPENDENT EVALUATION AND ANAYLSIS 4
- IV. PRICING COMFORT AND FINAL VERIFICATION OF SAVINGS..... 13
- V. CONCLUSION..... 13

I. INTRODUCTION AND SCOPE OF WORK

The purpose of this Report is to summarize the findings of North Slope Capital Advisors related to the 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.** North Slope reviewed the pricing of the transaction and provided 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. North Slope has executed a Financial Advisor Pricing Certificate as a part of closing documentation.

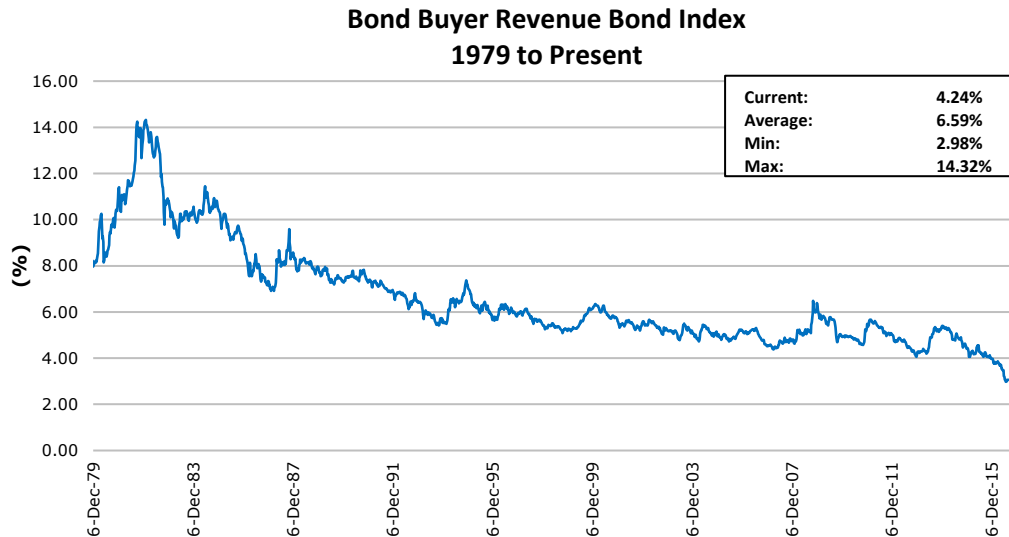
II. REVIEW OF FINANCING GOALS

It is our current understanding that the goals of District 2 for a 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 over 100 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.

- 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 \$63.725 million (\$48.917 million in principal and \$14.807 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. \$46.48 million of District 2 debt to be refinanced yields a net present value savings target of not less than \$1.39 million.
- 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 first report to the Board on October 13th, 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 ANALYSIS

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.

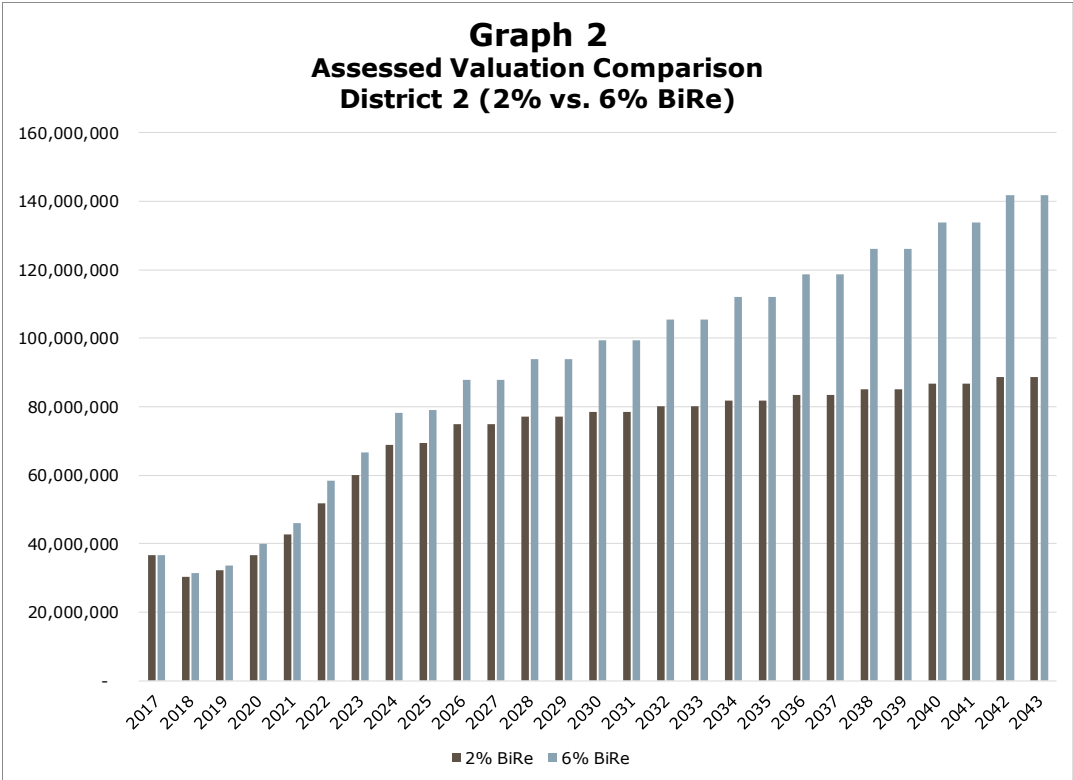
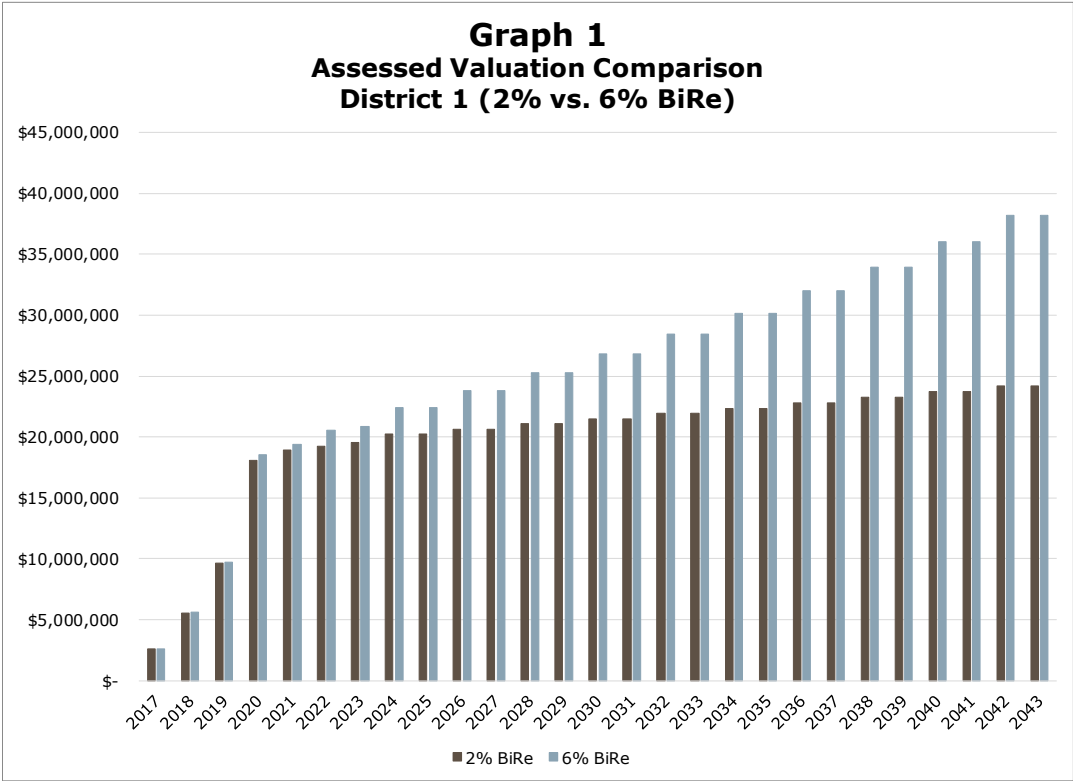
Financial Modeling. The primary goal of North Slope Capital’s modeling and analysis of District 2’s existing obligations, projected future assessed valuation and resulting tax burden, and the proposed refunding was to quantify the estimated savings, if any, that could accrue to District 2 taxpayers under 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 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 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’ 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:



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 | |
|--|------------------|
| Savings Analysis Assumptions - 2% BiRe Case | |
| Reassessment Rate 2017-2020 | 2.0% |
| Reassessment Rate 2021-2048 | 2.0% |
| District Debt as of 12/20/16 | 46,481,957 |
| 3% Minimum PV Savings Target | 1,394,459 |
| Series 2013A Principal Outstanding | 18,445,000 |
| Series 2013B Principal Outstanding | 23,760,000 |
| Series 2013B Accrued Unpaid Int. 12/20 | 4,276,957 |
| Guarantor Principal Outstanding | 1,278,000 |
| Guarantor Accrued Unpaid Int. 12/20 | 6,712,433 |
| Reimbursement Ob. Outstanding | 5,434,730 |
| Reimbursement Accrued Unpaid Int. 12/20 | 3,818,106 |
| 2016A Debt Service Reserve | 654,168 |
| Surplus Fund Target Balance | 2,000,019 |
| Interest Rate Used to Present Value Savings | 6.000% |

Under the 2016 refunding, the District’s existing debt obligations are 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 on the following page 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 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 Bond, would be available to make any payments toward the Guarantor Bond.

| Table 2A | |
|---|------------|
| District 2 Taxes by Component - "Do Nothing" | |
| Series 2013A Debt Service | 33,866,410 |
| Series 2013B Interest | 39,516,467 |
| Series 2013B Principal | 20,711,657 |
| Guarantor Interest | - |

| | |
|--|--------------------|
| Guarantor Principal | - |
| Reimbursement Interest | 17,795,062 |
| Reimbursement Principal | <u>5,434,730</u> |
| Total Debt Service | 117,324,326 |
| Less: District 1 Contribution 2017-2048 | <u>28,198,080</u> |
| District 2 Taxes for Debt Service | 89,126,246 |
| District 2 O&M Taxes 2017-2056 | 18,450,264 |
| Total District 2 Taxes | 107,576,510 |
| Present Value of Total Taxes | 40,561,426 |

| Table 3A | |
|---|-------------------|
| District 2 Taxes by Component - Proposed Refunding | |
| Series 2016A Debt Service | 69,058,849 |
| Series 2016B Interest | 20,918,766 |
| Series 2016B Principal | 0 |
| Guarantor Interest | - |
| Guarantor Principal | - |
| Reimbursement Interest | - |
| Reimbursement Principal | - |
| Total Debt Service | 89,977,616 |
| Less: Surplus Fund Draws | (1,357,313) |
| Less: Surplus Release in 2046 | <u>(642,706)</u> |
| District 2 Taxes for Debt Service | 87,977,597 |
| District 2 O&M Taxes 2017-2019 | 492,167 |
| Total District 2 Taxes | 88,469,764 |
| Present Value of Total Taxes | 34,963,416 |

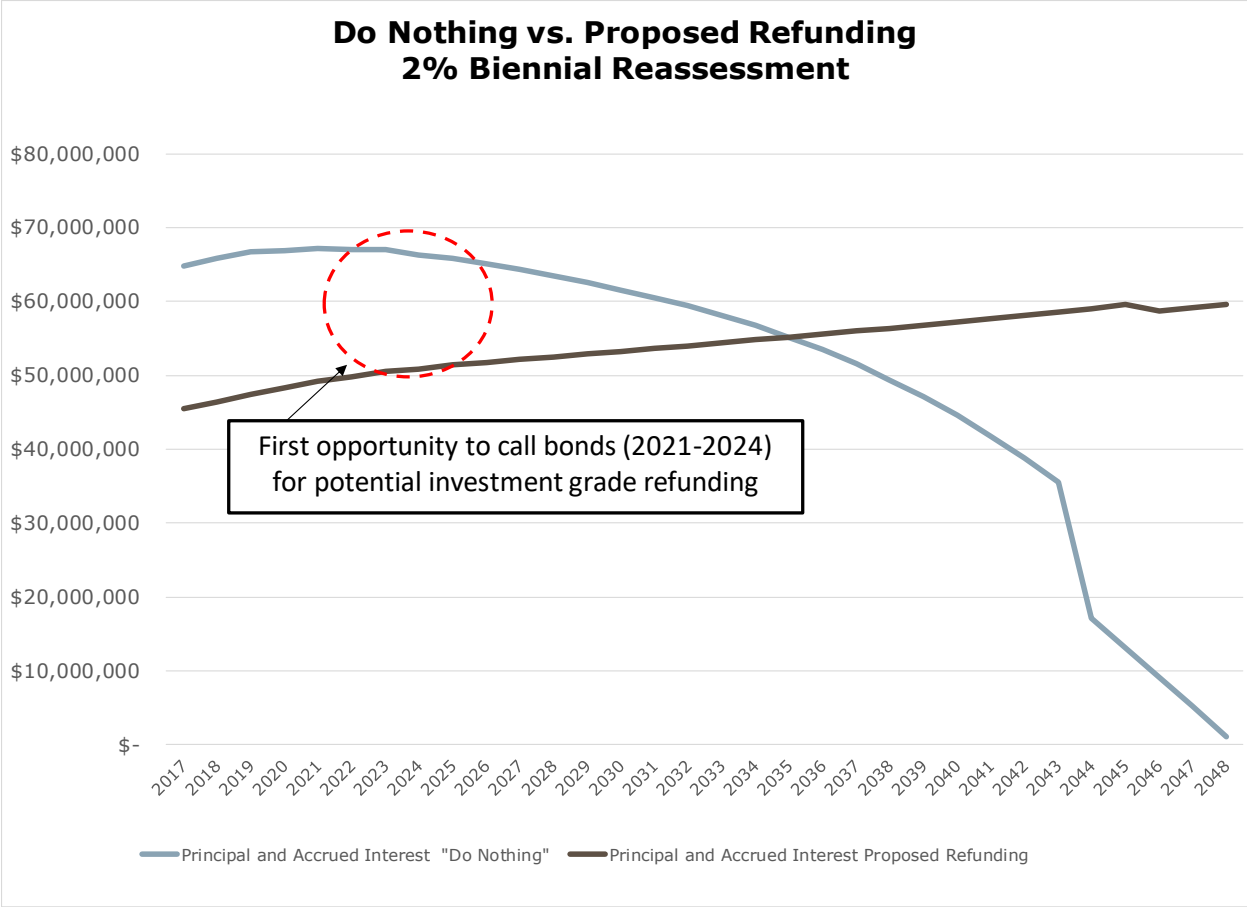
The refunding transaction also includes a reassignment of the obligation to pay annual operations and maintenance expenses (estimated to be \$500,000 in 2017 and grow at an annual rate of 1%) to rest solely with District 1 as soon as District 1's assessed valuation supports operations and maintenance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

The chart on the following page 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 6% (a proxy for the all-in cost of capital on the refunding) for an aggregate present value savings total. Total present value savings for the 2% biennial reassessment case of \$5.59 million equates to 12.0% of the District's refinanced principal.

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

| DEBT SERVICE SAVINGS | | | | | O&M SAVINGS | | | | | TOTAL PV 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 | | | |
| 2017 | 1,493,932 | 1,493,932 | (0) | (0) | 2017 | 215,523 | 215,523 | 0 | - | (0) |
| 2018 | 1,354,446 | 1,354,446 | 0 | 0 | 2018 | 177,268 | 177,268 | 0 | - | 0 |
| 2019 | 1,412,508 | 1,412,508 | 0 | - | 2019 | 189,921 | 99,375 | 90,546 | 76,024 | 76,024 |
| 2020 | 1,682,404 | 1,682,404 | 0 | - | 2020 | 215,109 | | 215,109 | 170,386 | 170,386 |
| 2021 | 1,801,526 | 1,801,526 | 0 | - | 2021 | 250,836 | | 250,836 | 187,440 | 187,440 |
| 2022 | 2,258,706 | 2,258,706 | 0 | - | 2022 | 304,492 | | 304,492 | 214,655 | 214,655 |
| 2023 | 2,195,300 | 2,195,300 | 0 | - | 2023 | 353,106 | | 353,106 | 234,836 | 234,836 |
| 2024 | 2,741,264 | 2,741,264 | 0 | - | 2024 | 404,475 | | 404,475 | 253,773 | 253,773 |
| 2025 | 2,536,517 | 2,536,517 | 0 | - | 2025 | 407,990 | | 407,990 | 241,489 | 241,489 |
| 2026 | 2,736,488 | 2,736,488 | 0 | - | 2026 | 440,155 | | 440,155 | 245,780 | 245,780 |
| 2027 | 2,736,488 | 2,736,488 | 0 | - | 2027 | 440,155 | | 440,155 | 231,868 | 231,868 |
| 2028 | 2,812,821 | 2,812,821 | 0 | - | 2028 | 452,433 | | 452,433 | 224,845 | 224,845 |
| 2029 | 2,812,821 | 2,812,821 | 0 | - | 2029 | 452,433 | | 452,433 | 212,118 | 212,118 |
| 2030 | 2,869,077 | 2,869,077 | 0 | - | 2030 | 461,481 | | 461,481 | 204,114 | 204,114 |
| 2031 | 2,869,077 | 2,869,077 | 0 | - | 2031 | 461,481 | | 461,481 | 192,560 | 192,560 |
| 2032 | 2,926,459 | 2,926,459 | 0 | - | 2032 | 470,711 | | 470,711 | 185,294 | 185,294 |
| 2033 | 2,926,459 | 2,926,459 | 0 | - | 2033 | 470,711 | | 470,711 | 174,805 | 174,805 |
| 2034 | 2,984,988 | 2,984,988 | 0 | - | 2034 | 480,125 | | 480,125 | 168,209 | 168,209 |
| 2035 | 2,984,988 | 2,984,988 | 0 | - | 2035 | 480,125 | | 480,125 | 158,688 | 158,688 |
| 2036 | 3,044,688 | 3,044,688 | 0 | - | 2036 | 489,728 | | 489,728 | 152,699 | 152,699 |
| 2037 | 3,044,688 | 3,044,688 | 0 | - | 2037 | 489,728 | | 489,728 | 144,056 | 144,056 |
| 2038 | 3,105,581 | 3,105,581 | 0 | - | 2038 | 499,522 | | 499,522 | 138,620 | 138,620 |
| 2039 | 3,105,581 | 3,105,581 | 0 | - | 2039 | 499,522 | | 499,522 | 130,774 | 130,774 |
| 2040 | 3,167,693 | 3,167,693 | 0 | - | 2040 | 509,513 | | 509,513 | 125,839 | 125,839 |
| 2041 | 3,167,693 | 3,167,693 | 0 | - | 2041 | 509,513 | | 509,513 | 118,716 | 118,716 |
| 2042 | 3,231,047 | 3,231,047 | 0 | - | 2042 | 519,703 | | 519,703 | 114,236 | 114,236 |
| 2043 | 3,231,047 | 3,231,047 | 0 | - | 2043 | 519,703 | | 519,703 | 107,770 | 107,770 |
| 2044 | 3,295,668 | 3,295,668 | 0 | - | 2044 | 530,097 | | 530,097 | 103,703 | 103,703 |
| 2045 | 3,295,668 | 3,295,668 | 0 | - | 2045 | 530,097 | | 530,097 | 97,833 | 97,833 |
| 2046 | 3,361,581 | 3,361,581 | 0 | - | 2046 | 540,699 | | 540,699 | 94,141 | 94,141 |
| 2047 | 3,361,581 | 3,361,581 | 0 | - | 2047 | 540,699 | | 540,699 | 88,812 | 88,812 |
| 2048 | 3,428,813 | 3,428,813 | 0 | - | 2048 | 551,513 | | 551,513 | 85,461 | 85,461 |
| 2049 | 1,148,650 | 0 | 1,148,650 | 167,917 | 2049 | 551,513 | | 551,513 | 80,624 | 248,540 |
| 2050 | 0 | 0 | 0 | - | 2050 | 562,543 | | 562,543 | 77,581 | 77,581 |
| 2051 | 0 | 0 | 0 | - | 2051 | 562,543 | | 562,543 | 73,190 | 73,190 |
| 2052 | 0 | 0 | 0 | - | 2052 | 573,794 | | 573,794 | 70,428 | 70,428 |
| 2053 | 0 | 0 | 0 | - | 2053 | 573,794 | | 573,794 | 66,441 | 66,441 |
| 2054 | 0 | 0 | 0 | - | 2054 | 585,270 | | 585,270 | 63,934 | 63,934 |
| 2055 | 0 | 0 | 0 | - | 2055 | 585,270 | | 585,270 | 60,315 | 60,315 |
| 2056 | 0 | 0 | 0 | - | 2056 | 596,975 | | 596,975 | 58,039 | 58,039 |
| | 89,126,246 | 87,977,596 | 1,148,650 | 167,917 | | 18,450,264 | 492,167 | 17,958,097 | 5,430,093 | 5,598,010 |
| PV Savings % of Refunded Principal | | | | | | | | | | 12.0% |

North Slope Capital’s last measure of the efficacy of the refunding was a comparison of principal and accrued interest outstanding over time under the “Do Nothing” case versus the Refunding Case. The Series 2016A Bonds are 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 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 | |
|--|------------------|
| 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 12/20/2016 | 46,481,957 |
| 3% Minimum PV Savings Target | 1,394,459 |
| Series 2013A Principal Outstanding | 18,445,000 |
| Series 2013B Principal Outstanding | 23,760,000 |
| Series 2013B Accrued Unpaid Int. 12/20 | 4,276,957 |
| Guarantor Principal Outstanding | 1,278,000 |
| Guarantor Accrued Unpaid Int. 12/20 | 6,712,433 |
| Reimbursement Ob. Outstanding | 5,434,730 |
| Reimbursement Accrued Unpaid Int. 12/20 | 3,818,106 |
| | - |

| | |
|---|-----------|
| 2016A Debt Service Reserve | 654,168 |
| Surplus Fund Balance | 2,000,019 |
| Interest Rate Used to Present Value Savings | 6.000% |

Higher assumed assessed valuation growth rates allow for accelerated repayment of existing and new 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:

| Table 2B | |
|---|--------------------|
| District 2 Taxes by Component - "Do Nothing" | |
| Series 2013A Debt Service | 33,866,410 |
| Series 2013B Interest | 30,314,545 |
| Series 2013B Principal | 23,760,000 |
| Guarantor Interest | 9,620,914 |
| Guarantor Principal | 1,278,000 |
| Reimbursement Interest | 15,191,931 |
| Reimbursement Principal | 5,434,730 |
| Total Debt Service | 119,466,529 |
| Less: D1 Contribution 2017-2045 | 29,435,915 |
| District 2 Taxes for Debt Service | 90,030,614 |
| District 2 O&M Taxes 2017-2056 | 22,431,539 |
| Total District 2 Taxes | 112,462,152 |
| Present Value of Total Taxes | 45,373,811 |

| Table 3B | |
|---|--------------------|
| District 2 Taxes by Component - Proposed Refunding | |
| Series 2016A Debt Service | 69,058,849 |
| Series 2016B Interest | 37,746,016 |
| Series 2016B Principal | 13,330,000 |
| Guarantor Interest | - |
| Guarantor Principal | - |
| Reimbursement Interest | - |
| Reimbursement Principal | - |
| Total Debt Service | 120,134,865 |
| Less: Surplus Fund Draws | (972,578) |
| Less: Surplus Release in 2046 | (1,027,441) |
| District 2 Taxes for Debt Service | 118,134,846 |
| District 2 O&M Taxes 2017-2020 | 495,040 |
| Total District 2 Taxes | 118,629,886 |
| Present Value of Total Taxes | 43,938,284 |

As explained above, the refunding transaction includes 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 chart on the following page illustrates projected savings by component: 1) debt service savings (or dis-savings) and 2) operations and maintenance savings. Debt service dis-savings and operations and maintenance savings are then discounted at a rate of 6% (a proxy for the all-in cost of capital of the refunding) for an aggregate present value savings total.

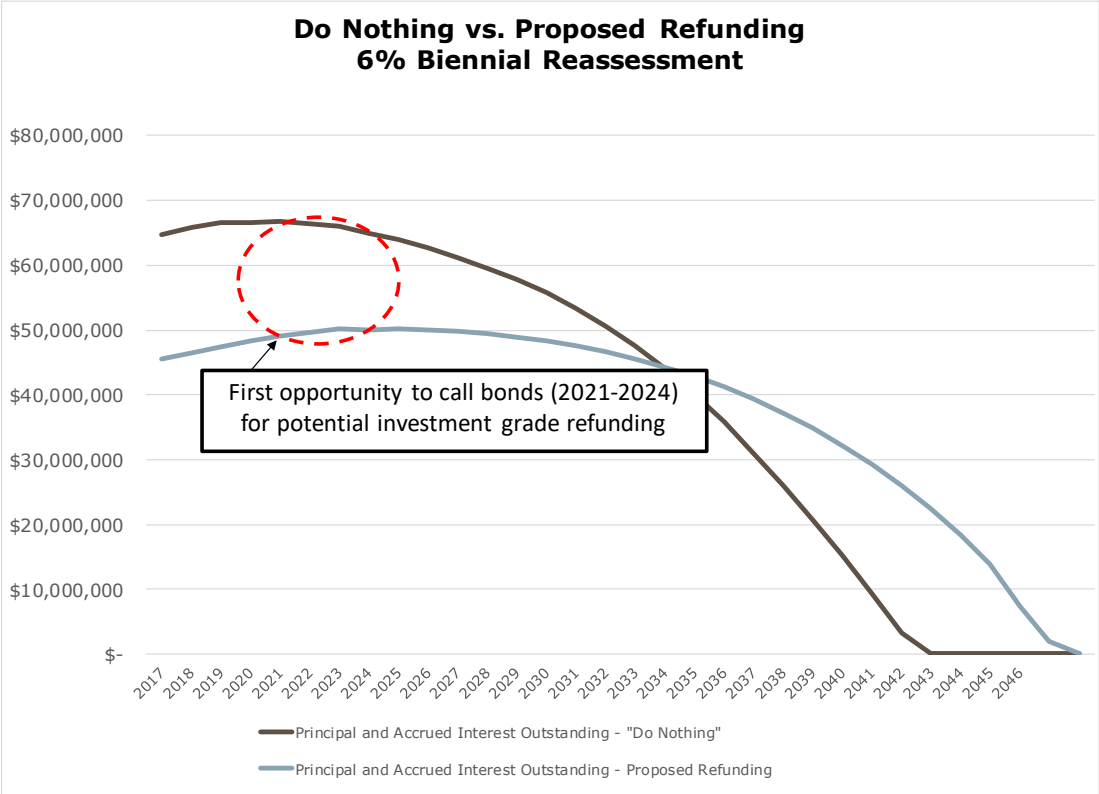
Aggregate present value savings of \$1.435 million under the 6% biennial reassessment case is comprised of a \$5.083 million present value debt service loss due to the accelerated repayment flexibility available under the existing debt structure, and an estimated \$6.518 million operations and maintenance present value savings.

| TABLE 4B CASH FLOW AND PRESENT VALUE SAVINGS ANALYSIS 6% BIENNIAL REASSESSMENT | | | | | | | | | | |
|--|---------------------------|---------------------------------|-------------------|-----------------------|-------------|------------------|---------------------|-------------------|-----------------------|------------------|
| DEBT SERVICE SAVINGS | | | | | O&M SAVINGS | | | | | TOTAL PV 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 | |
| 2017 | 1,515,032 | 1,515,032 | (0) | (0) | 2017 | 215,523 | 215,523 | 0 | - | (0) |
| 2018 | 1,425,989 | 1,425,989 | 0 | 0 | 2018 | 184,634 | 184,634 | 0 | - | 0 |
| 2019 | 1,458,301 | 1,458,301 | 0 | 0 | 2019 | 197,286 | 94,882 | 102,404 | 85,981 | 85,981 |
| 2020 | 1,805,554 | 1,805,554 | 0 | - | 2020 | 234,917 | 0 | 234,917 | 186,076 | 186,076 |
| 2021 | 1,924,676 | 1,924,676 | 0 | - | 2021 | 270,645 | | 270,645 | 202,241 | 202,241 |
| 2022 | 2,498,531 | 2,498,531 | 0 | - | 2022 | 343,067 | | 343,067 | 241,848 | 241,848 |
| 2023 | 2,435,124 | 2,435,124 | 0 | - | 2023 | 391,681 | | 391,681 | 260,490 | 260,490 |
| 2024 | 3,085,482 | 3,085,482 | 0 | - | 2024 | 459,841 | | 459,841 | 288,510 | 288,510 |
| 2025 | 2,880,735 | 2,880,735 | 0 | - | 2025 | 463,356 | | 463,356 | 274,260 | 274,260 |
| 2026 | 3,205,412 | 3,205,412 | 0 | - | 2026 | 515,580 | | 515,580 | 287,897 | 287,897 |
| 2027 | 3,205,412 | 3,205,412 | 0 | - | 2027 | 515,580 | | 515,580 | 271,601 | 271,601 |
| 2028 | 3,422,225 | 3,422,225 | 0 | - | 2028 | 550,453 | | 550,453 | 273,558 | 273,558 |
| 2029 | 3,422,225 | 3,422,225 | 0 | - | 2029 | 550,453 | | 550,453 | 258,074 | 258,074 |
| 2030 | 3,630,638 | 3,630,638 | 0 | - | 2030 | 569,047 | | 569,047 | 251,690 | 251,690 |
| 2031 | 3,630,638 | 3,630,638 | 0 | - | 2031 | 574,737 | | 574,737 | 239,818 | 239,818 |
| 2032 | 3,851,744 | 3,851,744 | 0 | - | 2032 | 580,484 | | 580,484 | 228,506 | 228,506 |
| 2033 | 3,851,744 | 3,851,744 | 0 | - | 2033 | 586,289 | | 586,289 | 217,727 | 217,727 |
| 2034 | 4,086,315 | 4,086,315 | 0 | - | 2034 | 592,152 | | 592,152 | 207,457 | 207,457 |
| 2035 | 4,086,315 | 4,086,315 | 0 | - | 2035 | 598,074 | | 598,074 | 197,671 | 197,671 |
| 2036 | 4,335,172 | 4,335,172 | 0 | - | 2036 | 604,054 | | 604,054 | 188,347 | 188,347 |
| 2037 | 4,335,172 | 4,335,172 | 0 | - | 2037 | 610,095 | | 610,095 | 179,463 | 179,463 |
| 2038 | 4,599,184 | 4,599,184 | 0 | - | 2038 | 616,196 | | 616,196 | 170,998 | 170,998 |
| 2039 | 4,599,184 | 4,599,184 | 0 | - | 2039 | 622,358 | | 622,358 | 162,932 | 162,932 |
| 2040 | 4,879,274 | 4,879,274 | 0 | - | 2040 | 628,582 | | 628,582 | 155,246 | 155,246 |
| 2041 | 4,879,274 | 4,879,274 | 0 | - | 2041 | 634,867 | | 634,867 | 147,923 | 147,923 |
| 2042 | 5,176,422 | 5,176,422 | 0 | - | 2042 | 641,216 | | 641,216 | 140,946 | 140,946 |
| 2043 | 1,804,842 | 5,176,422 | (3,371,580) | (699,158) | 2043 | 647,628 | | 647,628 | 134,297 | (564,860) |
| 2044 | 0 | 5,491,666 | (5,491,666) | (1,074,335) | 2044 | 654,104 | | 654,104 | 127,963 | (946,373) |
| 2045 | 0 | 5,491,666 | (5,491,666) | (1,013,524) | 2045 | 660,645 | | 660,645 | 121,927 | (891,597) |
| 2046 | 0 | 5,826,108 | (5,826,108) | (1,014,384) | 2046 | 667,252 | | 667,252 | 116,175 | (898,209) |
| 2047 | 0 | 5,826,108 | (5,826,108) | (956,966) | 2047 | 673,924 | | 673,924 | 110,695 | (846,271) |
| 2048 | 0 | 2,097,106 | (2,097,106) | (324,962) | 2048 | 680,664 | | 680,664 | 105,474 | (219,488) |
| 2049 | 0 | 0 | 0 | - | 2049 | 687,470 | | 687,470 | 100,499 | 100,499 |
| 2050 | 0 | 0 | 0 | - | 2050 | 694,345 | | 694,345 | 95,758 | 95,758 |
| 2051 | 0 | 0 | 0 | - | 2051 | 701,288 | | 701,288 | 91,241 | 91,241 |
| 2052 | 0 | 0 | 0 | - | 2052 | 708,301 | | 708,301 | 86,937 | 86,937 |
| 2053 | 0 | 0 | 0 | - | 2053 | 715,384 | | 715,384 | 82,837 | 82,837 |
| 2054 | 0 | 0 | 0 | - | 2054 | 722,538 | | 722,538 | 78,929 | 78,929 |
| 2055 | 0 | 0 | 0 | - | 2055 | 729,764 | | 729,764 | 75,206 | 75,206 |
| 2056 | 0 | 0 | 0 | - | 2056 | 737,061 | | 737,061 | 71,659 | 71,659 |
| | 90,030,614 | 118,134,846 | (28,104,233) | (5,083,329) | | 22,431,539 | 495,040 | 21,936,499 | 6,518,857 | 1,435,527 |

PV Savings % of Refunded Principal 3.09%

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 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 Series 2016A Bonds are 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.



IV. PRICING COMFORT AND FINAL VERIFICATION OF SAVINGS

North Slope provided a certification at the time of bond pricing on December 16th (the “Financial Advisor Pricing Certificate”) that the interest rates and structuring features of the Series 2016A and 2016B Bonds were on-market and that the final financing meets the goals identified above.

V. CONCLUSION

The refinancing of the existing Series 2013A Loan, 2013B Bonds, Guarantor Bonds, and Reimbursement Obligations accomplished the six goals set forth in Section 2 assuming the market and assessed valuation projections contained in the final RCLCO Real Estate Advisors’ Market Study are realized.

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 over \$5.5 million, or 12.0% of the refinanced principal amount. These estimated debt service and operations and maintenance savings are 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 2035, including the dates the Series 2016A Bonds can be called by a range of \$15.4 to \$18.0 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 \$14.8 million lower than the same balance the Base Case.

The Series 2016A and 2016B refunding lowers the District 2 debt burden from \$63.725 million to \$44.59 million, a 29.5% reduction, effective at closing on December 22, 2016.

In closing, the final Series 2016A and 2016B refunding results, under both the 2% and 6% growth cases evaluated by North Slope Capital Advisors per our engagement and as a fiduciary to the District, meet all six of the identified financing goals set forth in Section 2 of this report.