WALKER SCHOOLER
DISTRICT MANAGERS

WOODMEN HEIGHTS METROPOLITAN DISTRICT NOS. 1, 2 and 3
Board Meetings
Wednesday, September 2, 2020 – 1:00 p.m.
102 E. Pikes Peak Avenue, Suite 200
Colorado Springs, Colorado

And

Due to Executive Orders issued by Governor Polis and Public Health Orders implementing the Executive Orders issued by the Colorado Department of Health and Environment, and the threat posed by the COVID-19 coronavirus, this meeting will also be held via video-teleconferencing and can be joined through the directions below:

Please join our meeting from your computer, tablet or smartphone.
https://global.gotomeeting.com/join/387686893
You can also dial in using your phone.
United States (Toll Free): 1 877 309 2073
United States: +1 (571) 317-3129
Access Code: 387-686-893

Lindsay J. Case, President - Term to May 2023
Les Krohnfeldt, Vice-President/Treasurer - Term to May 2022
Randle W. Case, II, Assistant Secretary - Term to May 2023
James Morley, Secretary - Term to May 2023
Kyle Geditz, Assistant Secretary - Term to May 2022

AGENDA

1. Call to order
2. Declaration of Quorum/ Director Qualifications/ Disclosure Matters
3. Approval of Agenda
4. Approval of the August 5, 2020 Meeting Minutes
5. Review of status of refinance of Woodmen Heights bonds – DA Davidson
    a. Reauthourize DA Davidson Engagement to District 2
    b. Ratify hire of Municipal Advisor North Slope Capital
6. District Manager Report
    a. Future of District 1
    b. Marksheffel/Sand Creek crossing progress
    c. Park Design
7. Developer updates
8. Public Comment (for items not already on the agenda)
9. Other Business
    a. Consider Approval of Financial Statements and Payables-see attached
    b. Possible Special Meeting date for exlusions and inclusions

c. Next Regular Meeting Date – Scheduled for October 7, 2020 at 1:00 P.M.

10. Adjourn

Regular Meetings are the 1st Wednesday of each month at 1:00 p.m. as needed

NOTICE OF SPECIAL MEETINGS

NOTICE IS HEREBY GIVEN That the Boards of Directors of **WOODMEN HEIGHTS METROPOLITAN DISTRICT NOS. 1, 2 and 3,** City of Colorado Springs, County of El Paso, State of Colorado, will hold their regular meetings at 1:00 p.m. on Wednesday, the 2nd day of September, 2020 at 102 E. Pikes Peak Avenue, Suite 200, in Colorado Springs, Colorado, for the purpose of conducting such business as may come before the Boards including the business on the attached agenda. Regular meetings for 2020 are on the first Wednesday of every month at 102 E. Pikes Peak Avenue, Suite 200, in Colorado Springs, Colorado, so long as there is business to conduct. The regular meetings may be canceled. Please call (719) 447-1777 for meeting confirmation and information.

The meeting is open to the public.

BY ORDER OF THE BOARDS OF DIRECTORS:

WOODMEN HEIGHTS METROPOLITAN DISTRICT NOS. 1, 2 AND 3

WALKER SCHOOLER
DISTRICT MANAGERS

MINUTES OF REGULAR MEETINGS OF THE BOARDS OF DIRECTORS OF THE WOODMEN HEIGHTS METROPOLITAN DISTRICT NOS. 1, 2 and 3 AUGUST 5, 2020 AT 1:00 P.M.

Pursuant to posted notice, the joint meeting of the Boards of Directors of the Woodmen Heights Metropolitan District Nos. 1, 2 and 3 was held on Wednesday, August 5, 2020 at 1:00 p.m., at 102 E. Pikes Peak Avenue, Suite 200, Colorado Springs, Colorado and via video and telephone conference.

In attendance were Directors:
Lindsay J. Case, President*
Les Krohnfeldt, Vice President/Treasurer*
Randle W. Case II, Asst. Secretary*
James Morley

Also in attendance were:
Kevin Walker, WSDM*
K. Sean Allen, Esq., White Bear Ankele Tanaka & Waldron
Kyle Thomas, DA Davidson
Dave Mersman*
Chaz Morley*

*= Present at 102 E. Pikes Peak Avenue, Suite 200, Colorado Springs, CO.

Combined Meeting:
The Boards of Directors of the Districts have determined to hold a joint meeting of the Districts and to prepare joint minutes of actions taken by the Districts in such meetings. Unless otherwise noted herein, all official action reflected in these minutes shall be deemed to be the action of all Districts. Where necessary, action taken by an individual District will be so reflected in these minutes.

1. Call to Order:
The meeting was called to order at 1:15 p.m. by President Case.

2. Declaration of Quorum/Director Qualifications/Disclosure Matters:
President Case indicated that a quorum of the Boards was present and stated that each Director has been qualified as an eligible elector of the Districts pursuant to Colorado law. The Directors confirmed their qualification. Mr. Allen advised the Boards that, pursuant to Colorado law, certain disclosures might be required prior to taking official

action at the meeting. Mr. Walker reported that disclosures for those directors with potential or existing conflicts of interest were filed with the Secretary of State's Office and the Boards at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Board. Mr. Allen inquired into whether members of the Boards had any additional disclosures of potential or existing conflicts of interest with regard to any matters scheduled for discussion at the meeting. No additional disclosures were noted. The Boards determined that the participation of the members present was necessary to obtain a quorum or to otherwise enable the Boards to act.

3. Approval of the Agenda: The Board approved the Agenda.

4. Approval of the July 1, 2020 Minutes: Director Krohnfeldt moved to approve the July 1, 2020 Minutes; seconded by Director Case II. Motion passed unanimously.

5. Review of status of refinance of Woodmen Heights bonds – DA Davidson
   a. Review City Council hearing – Kyle Thomas and Kevin Walker: Mr. Walker explained that he and Mr. Thomas attended the City Council budget hearing on behalf of the District. The meeting went well, and the Budget Committee said the District can go directly to City Council unless we wanted to do new money. If the District wants to do new money, they will require another hearing. Mr. Thomas explained if the District refinances only, the total principal amount is $49 Million. Based on the development assumptions and future growth, the District could possibly get $8 Million in new money. President Case stated that this is the first time he has heard of the possibility of the $8 Million. Mr. Walker explained it was discussed at the previous Board meeting. President Case said he does not want to make a decision until all Board members are present in the same room.
   b. Discuss new money or refinance only: Director Krohnfeldt moved to continue with the refinance process with $49 Million and no new money; seconded by Director Morley. Director Morley noted he does not want to delay this until after the election due to what could happen to the bond market, and if they did new money, they would have to go back to City Council for approval. President Case discussed the Tutt bridge and Mr. Walker confirmed the District is not obligated to build the bridge or to contribute. Mr. Walker noted City Council generally wants to lower the mill levy for their constituents. President Case stated that he would like an included statement that reflects there are no more obligations to this District. Mr. Walker explained there are obligations for the developers, not the District. President Case stated the District needs to be affirmative for the benefit of the homeowners in the refinancing. Mr. Mersman said the homeowners in this District pay a high amount of tax, and if they could get relief from that it would be very positive for the community. That would be an almost 20% reduction in mills for this District. Mr. Thomas confirmed the expiration date for the new debt would be 2045 and it would be additional subordinate debt. After further discussion, the motion passed unanimously.
   c. Consider engagement of team with DA Davidson: Mr. Thomas introduced the DA Davidson refinancing team including Sherman & Howard as both bond counsel and disclosure counsel for the District. DA Davidson engages underwriter counsel, UMB

Bank is the trustee, and Metro Study is completing the market study for the District. He discussed the revenue forecast that is needed as well.

d. Consider engagement of Municipal Advisor – K. Sean Allen: Mr. Thomas explained a Municipal Advisor is an independent third-party that provides pricing and structure comfort that the transaction the District is moving forward with is reasonable. They are separately engaged, and requests were sent to three different firms. Mr. Allen confirmed the Municipal Advisor acts as a fiduciary for the District to make sure they are getting the best deal possible. Director Krohnfeldt moved to allow the Manager and Counsel to review proposals and consider engagement of a Municipal Advisor; seconded by Director Case II. Motion passed unanimously.

6. District Manager Report:
   a. Fire District exclusions: Mr. Walker reported that Black Forest Fire has heard from residents and is willing to move forward. Falcon has not acknowledged the resident requests yet and claim they do not have the resources.
   b. Marksheffel/Sand Creek crossing progress: Mr. Walker reported he plans to get out there and take photographs of the new construction.

7. Developer Updates: Director Krohnfeldt reported that townhomes are getting ready to start construction and commercial under contract. Development is continuing and the Church is building an addition. Mr. Walker discussed that there is a lot of development going on in the District and provided a map detailing the development to the Board. The Board discussed Master Drive and Mr. Walker explained they are in the service area not in the District. They were part of the annexation agreement, but not in the District. President Case stated that he believes this is not true and they are in the District.

8. Public Comment: There was no public comment.

9. Other Business
   a. Consider Approval of Financial Statements and Payables: Director Case II moved to ratify the Payables and approve unaudited financial statements as presented; seconded by Director Morley. Motion passed unanimously.
   b. 2019 Audit: Mr. Walker reported the Audit was completed and filed.
   c. Next Regular Meeting Date – Scheduled for September 2, 2020 at 1:00 P.M.

10. Adjournment: The Board adjourned the meeting at 2:07 P.M.

Respectfully Submitted,

_____

By: Kristina Kulick for the Recording Secretary

LEADERS IN

INFRASTRUCTURE

FINANCE

D.A. DAVIDSON & CO.
SPECIAL DISTRICT GROUP

FROM BLUEPRINT TO BOTTOM LINE

D.A. Davidson & Co.
member SIPC
FIXED INCOME CAPITAL MARKETS

WOODMEN HEIGHTS MD NO.1 (2 & 3)

Service Plan:

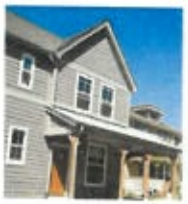
- The District was approved in 2004 by the City of Colorado Springs
- The service plan was amended in 2007
- Debt authorization of $60,000,000
- Mill Levy cap of 30 mills (subject to adjustment)
- Debt service mill levy imposition term of 40 years added to 2007 service plan
  - Applies to residential district only
  - Does not apply to obligations issued prior to 2007
  - First mill levy was certified in 2005 for collection in 2006
  - Final year to collect debt service mill levy is 2045
- History of bond issues
  - Series 2005: $29,820,000 (new money)
  - Series 2012A: $6,700,000 (refunding)
  - Series 2012B: $24,007,680 (refunding)
  - Series 2015C: $5,596,215 (new money reimbursement)

WOODMEN HEIGHTS MD NO.1 (2 & 3)

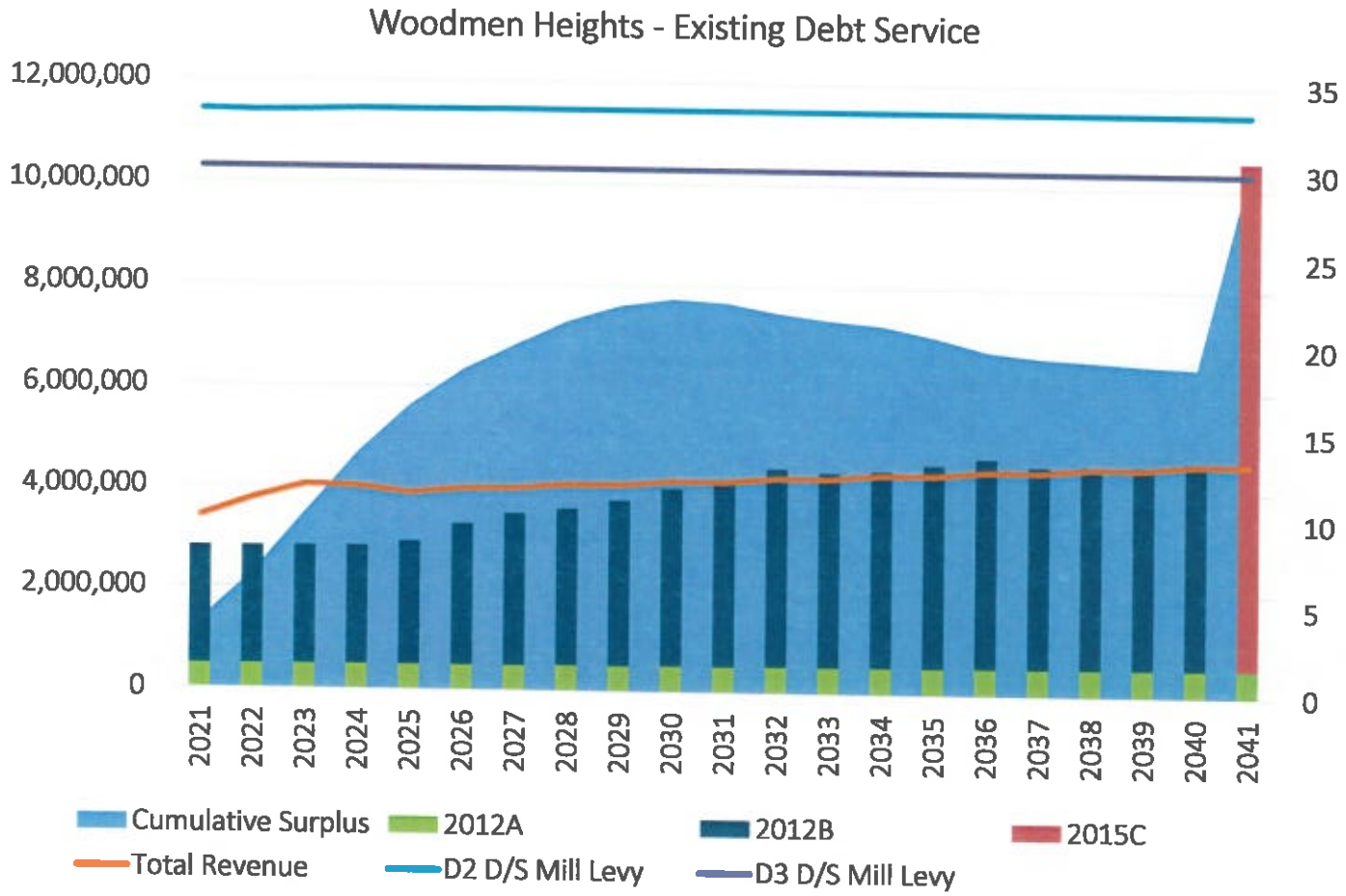
Current debt structure:

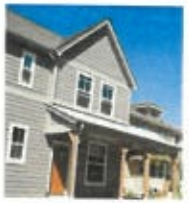
	Series 2012A	Series 2012B	2015C
Principal Outstanding	$6,075,000	$21,229,458 – Principal $10,604,542 – Est. Accrued Interest $31,834,000 - Total	$5,616,216
Interest Rate	6.00%	7.30%	3.00%
Call Date	12/01/2021 at 3% call premium	12/1/2021 at 3% call premium	Any Time
Final Maturity	12/01/2041	12/1/2041	12/15/2041
Total Combined Repayment	**$89,935,116**		

- Today, the District debt, which is serviced by 33.397 mills from D2 and 30 mills from D3 in 2020 includes:
  - $32,920,674 of outstanding principal and $10,604,542 of estimated accrued interest
  - Total of $43,525,216 of current debt outstanding
  - The 2012A and 2012B Bonds are redeemable beginning December 1, 2021 upon payment of par, accrued interest and redemption premiums of 3%
  - The 2015C Bonds are redeemable at any time
  - The 2015C Bonds will not receive any pledged revenues until the 2012A/B bonds have been repaid
  - As long as any of the existing bonds are outstanding, the District does not have the option to lower the mill levy

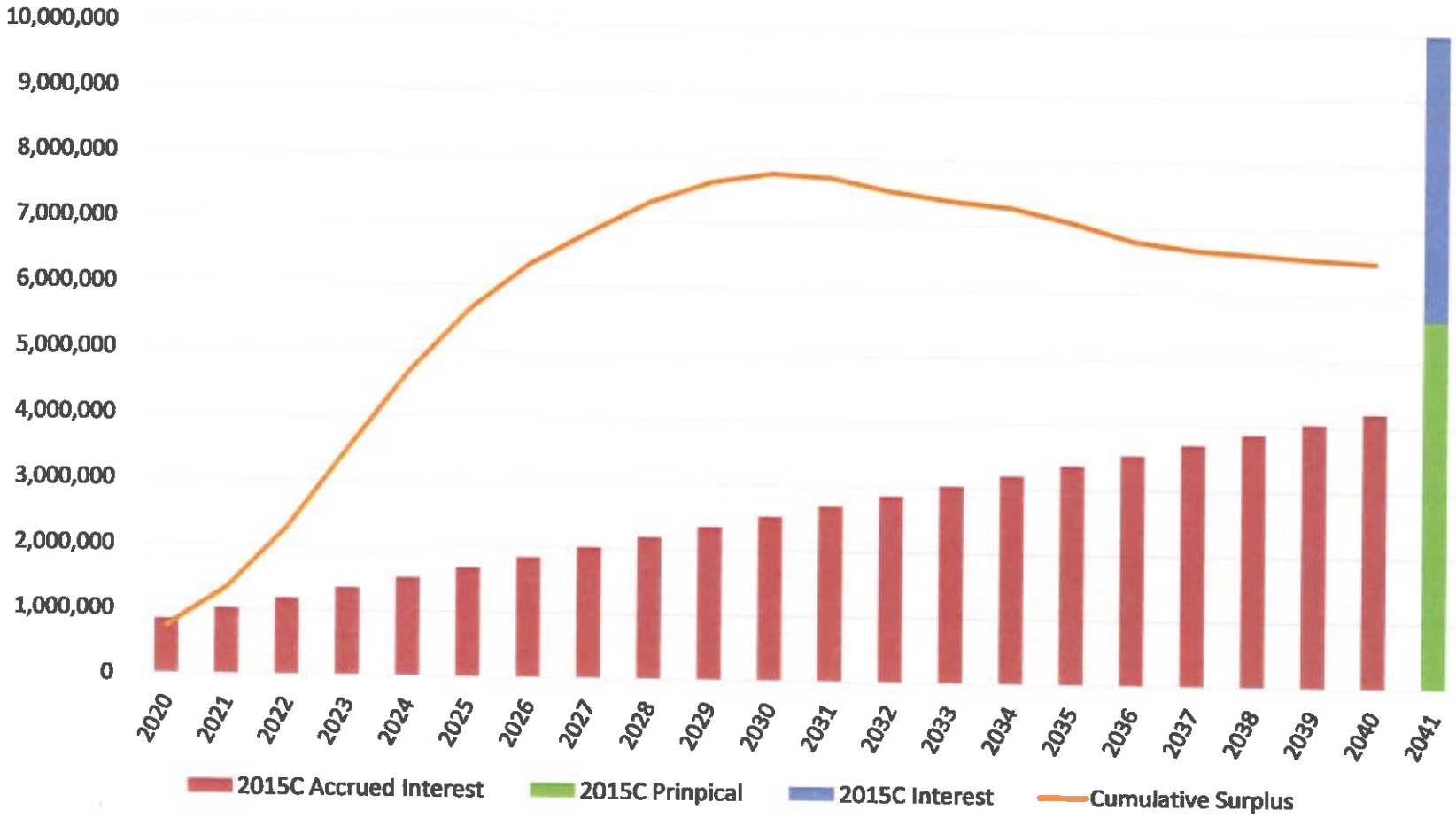


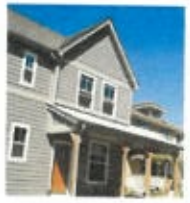
EXISTING NET DEBT SERVICE, REVENUE & MILL LEVIES





2015C PROJECTED INTEREST AND PAYMENT

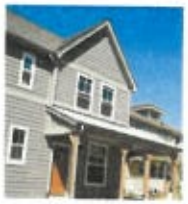




FINANCING PROPOSAL

In order to refinance all outstanding District debt, 3 series of bonds will be necessary

- Series 2020A
  - Advanced Refunding Bank Loan, Taxable non-rated loan converting to tax-exempt on 9/3/21
  - Structured with 1.25x coverage based on existing development only
  - 15 year fixed rate with a balloon maturity, however there will be a maximum annual revenue permitted under the loan agreement in the case that the District cannot refinance
  - Refunds Series 2012A and a portion of Series 2012B
- Series 2020 B-1
  - Taxable, converting to tax-exempt 9/3/21, non-rated current interest subordinate bond
  - Anticipated minimum coverage of 1.65x increasing to 1.7x by final maturity
  - Refunds remaining portion of Series 2012B
- Series 2020 B-2
  - Tax-exempt, non-rated, cash-flow bond
  - Refunds Series 2015C Bond



FINANCING PROPOSAL

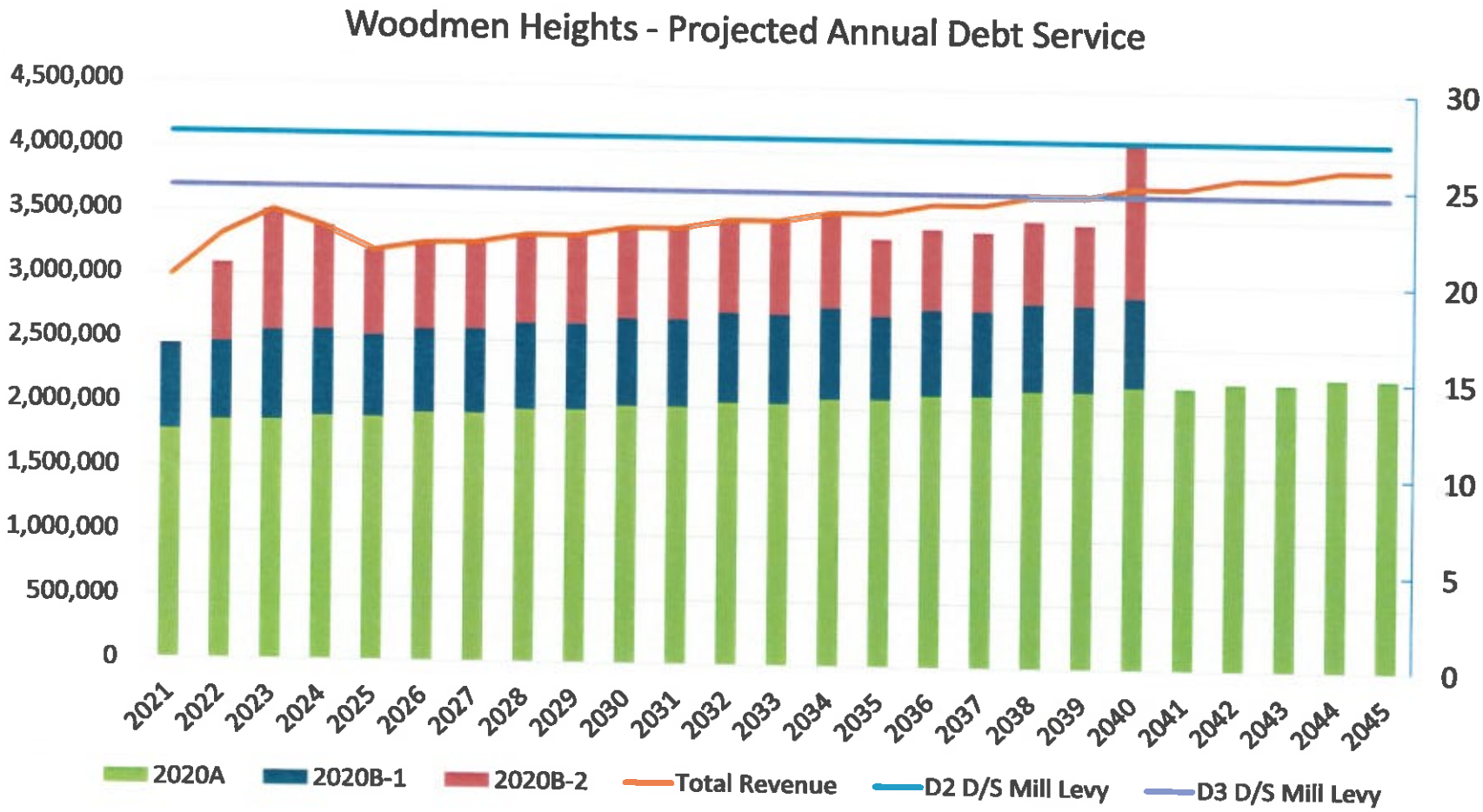
Summary of Refinancing

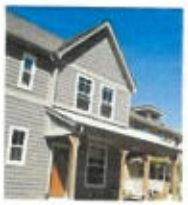
- Refinancing of all existing District Debt
  - Ability to lower the mill levy to 27.4, or keep the mill levy at 33.3 and pay off debt faster
  - Total par amount not to exceed $52 million
  - Anticipated costs of issuance $810,000
  - Discharge date on debt of 2045
    - The debt discharge date is 40 years after the first year of imposition (2005)
  - Anticipated Interest Rate
    - 2020A – 3.5% taxable converting to 2.75% tax-exempt (Not to exceed 4.5% TE)
    - 2020B-1 – 9.5% taxable converting to 6.5% tax-exempt (Not to exceed 8% TE)
    - 2020B-1 – 7.25% tax-exempt (Not to exceed 8.5%)

SUMMARY OF FINANCING PLAN

	2020A Taxable Loan	2020B-1 Taxable Bond	2020B-2 Tax-Exempt Bond
Par Amount	$35,115,000	$7,740,000	$6,719,000
Refunding	Refunds Series 2012A & B = $43,033,197		Refunds Series 2015C = $6,516,684
Debt Service Mill Levy	D2 = 27.386 mills (currently 33.398) D3 = 24.6 mills (currently 30)		
Interest Rate **(Net Interest Cost)**	3.48% (txbl rate thru 9/3/21) 2.75% (t-e rate for 15 years) capped at 5.0% thereafter	9.5% (txbl rate thru 9/3/21) 6.0% (t-e rate)	7.25%
Final Maturity	12/01/2045	12/01/2040	12/15/2040
Total Combined Repayment	**$78,750,937**		

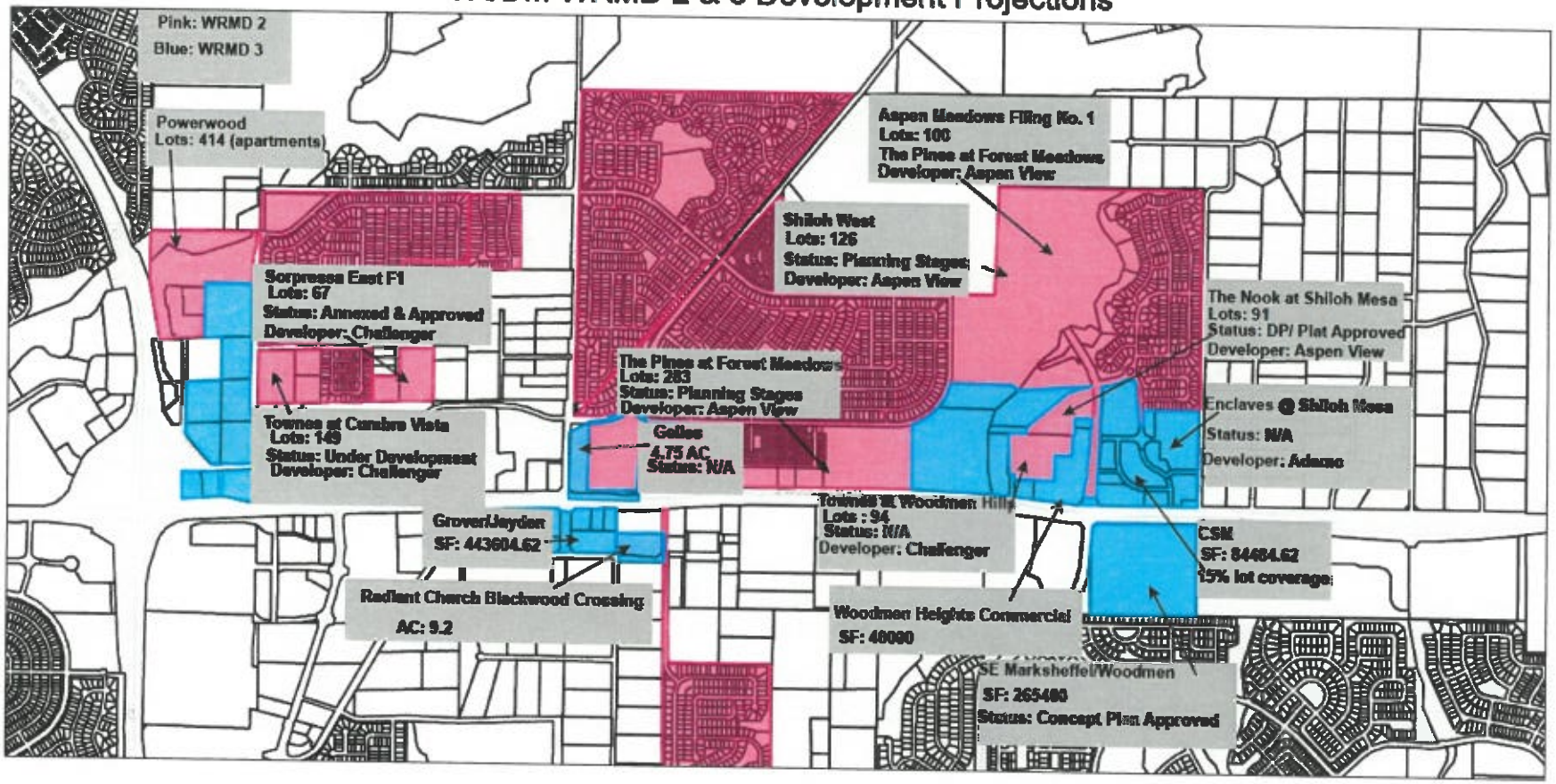
PROJECTED NET DEBT SERVICE, REVENUE & MILL LEVIES

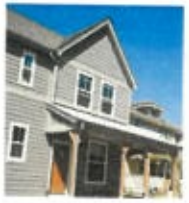




DISTRICT MAP

WSDM WRMD 2 & 3 Development Projections





ORIGINAL USE OF PROCEEDS

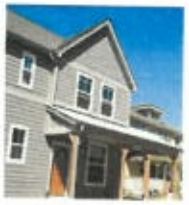
The following list of improvements were completed with the bond proceeds from the 2005 issue

Improvements	Amount
Streets	$7,835,000
Sewer	$1,525,000
Water	$3,090,000
Storm Sewer	$5,000,000
Landscaping & Parks	$6,172,000
Engineering & Surveying	$1,981,069
Total	**$25,603,000**

CONVERTIBLE CAPITAL APPRECIATION BONDS ISSUED IN EL PASO COUNTY

- At the Budget Committee, the question was asked about the history of Capital Appreciation Bonds being issued in Colorado Springs.
- Capital Appreciation Bonds are issued at a reduced face value. Interest accrues until the conversion date at which time the accrued interest becomes principal that is due. The Woodmen Heights CABs converted in December, 2017.
- Nearly all bond issued by metropolitan districts in the early stages of development have capitalized interest as there is an insufficient tax base to make interest payments until the newly constructed properties are assessed and taxed. The IRS allows for capitalized interest for three years and in certain instances where that is not sufficient, a capital appreciation bond is an alternative.

Issuer	Date	Par
Tuscan Foothills Village MD	December 5, 2019	$1,097,140
Meadowbrook Crossing MD	October 10, 2018	$3,097,728
Woodmen Heights #1	March 15, 2012	$24,007,680



PROJECTED SCHEDULE OF EVENTS

Activity	Date
City Council Budget Session – Preliminary Discussion	July 28, 2020
City Council Budget Session	August 25, 2020
City Council Work Session	September 4, 2020
City Council Meeting	September 22, 2020
Post PLOM	September 23, 2020
Bond Pricing	October 7, 2020
Bond/Loan Closing	October 14, 2020

BBVA

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2
TAXABLE CONVERTING TO TAX-EXEMPT LOAN

Summary of Terms and Conditions
August 25, 2020

Borrower/Issuer:	Woodmen Heights Metropolitan District No. 2 ("District" or "District No. 2").
Additional Obligor:	Woodmen Heights Metropolitan District No. 3 ("District No. 3" and together with the District, the "Districts").
Lender:	BBVA through its BBVA Mortgage Corporation subsidiary (the "Lender").
Credit Facility:	Taxable converting to tax-exempt loan in the principal amount of approximately $35,115,000 (the "Loan").
Use of Loan Proceeds:	Proceeds from the Loan, together with other funds held in connection with the 2012 Bonds, will be used to (i) refund all of the Woodmen Heights Metropolitan District No. 1 outstanding Tax-Supported Revenue Refunding Bonds Series 2012A and a portion of its outstanding Tax-Supported Revenue Refunding Bonds Series 2012B (together, the "2012 Bonds"), (ii) fund a debt service reserve fund for the Loan, as provided herein, and (iii) pay the costs related to the issuance of the Loan.
Closing Date:	On or prior to October 1, 2020 (the "Closing Date").
Maturity Date:	December 1, 2035 (the "Maturity Date").
Interest Rate:	Prior to the Conversion Date (as defined below), the Loan shall bear interest at a taxable fixed rate per annum (the "Taxable Rate") to be determined on the Pricing Date. Commencing on the Conversion Date through the Maturity Date, the Loan shall bear interest at a tax-exempt fixed rate equal to 79% of the Taxable Rate (the "Tax-Exempt Rate"). **The indicative Taxable Rate and Tax-Exempt Rate as of August 25, 2020 is 3.37% and 2.66%, respectively*.** ** The indicative rates shall be subject to change daily based on changes in market conditions until the Taxable Rate is locked in writing by the District on the Pricing Date.*
Pricing Date:	The date on which the District may lock the interest rate on the Loan, which shall be a date on or after which (a) the District has accepted this proposal in writing by way of formal resolution by the District board, (b) City Council of the City of Colorado Springs has formally approved the proposed financing and (c) the District instructs the Lender in writing to lock the interest rate on such date. The interest rate may be locked up to 60 days prior to the Closing Date.
Conversion Date:	Means the date on which the Taxable Rate on the Loan shall convert to the Tax-Exempt Rate following receipt by the Lender of the Tax-Exempt Documentation described below. The Conversion Date is expected to occur on approximately September 3, 2021 (the "Conversion Date").

Tax-Exempt Documentation: Means the necessary documentation including the filing of a form 8038G with the Internal Revenue Service and an opinion from bond counsel to the effect that, on and after the Conversion Date, the interest on the Loan after such date will be excluded from the gross income of the recipients for federal income tax purposes (the "Tax-Exempt Documentation").

Payment Dates: Interest shall be payable semi-annually on each June 1 and December 1, commencing on December 1, 2020 (each a "Payment Date"). Principal shall be paid annually on December 1 of each year, commencing on December 1, 2021 based on amortization through December 1, 2045 acceptable to the Lender.

Prepayment Provisions: The Loan may be prepaid in whole, or with the consent of the Lender, in part, on any Payment Date prior to the Maturity Date subject to the following prepayment provisions:

(i) prior to June 1, 2026 at a prepayment price equal to par plus accrued interest thereon together with (a) any applicable Yield Maintenance Fee that may apply (as determined pursuant to Addendum I attached hereto) and (b) the following applicable prepayment premium (expressed as a percentage par):

Through and including December 1, 2023	3.00%
June 1, 2024 and December 1, 2024	2.00%
June 1, 2025 and December 1, 2025	1.00%

(ii) or after June 1, 2026 at a prepayment price equal to par plus accrued interest thereon together with any applicable Yield Maintenance Fee that may be due as a result of such prepayment; *provided, however,* the Yield Maintenance Fee shall not apply to any prepayment of the Loan occurring on any Payment Date on or after June 1, 2028.

Security for the Loan: The Loan shall be secured by and payable from the following (collectively, the "Collateral"):

(i) the following revenue sources (collectively, the "Pledged Revenue"):

(a) all revenues derived from (1) the District No. 2 Required Mill Levy (as hereinafter defined) and (2) specific ownership taxes allocable to the District No. 2 Required Mill Levy (together, the "District No. 2 Revenue");

(b) all amounts paid to or on behalf of the District from District No. 3 pursuant to the Funding Agreement (as hereinafter defined) including all revenues derived from (1) the District No. 3 Required Mill Levy (as hereinafter defined) and (2) specific ownership taxes allocable to the District No. 3 Required Mill Levy (together, the "District No. 3 Revenue"); and

(c) any other legally available moneys which the Districts determine, in their absolute discretion, to apply to the payment of the Loan.

Notwithstanding the foregoing, to the extent the Loan has not been fully paid, satisfied, and discharged as of the Maturity Date and so long as any subordinate debt of the District remains outstanding, commencing the year in which the Maturity Date of the Loan occurs and in each year thereafter in which the Loan balance remains outstanding, the amount of Pledged Revenue pledged for the repayment of the Loan shall be limited to a maximum of $2,670,000 commencing in the year in which the Maturity Date of the Loan occurs, increasing by 2.0% in each year thereafter.

(ii) the Reserve Fund (as hereinafter defined) and all investment earnings thereon; and

(iii) all funds and accounts established and held under the Loan Agreement including, without limitation, the Reserve Fund and the Loan Payment Account and all investment earnings thereon.

District No. 2 Required Mill Levy: Shall mean an ad valorem mill levy imposed upon all taxable property of District No. 2 each year in an amount which, when combined with the District No. 3 Revenue, will produce ad valorem property tax revenue sufficient to pay the principal of and interest on the Loan and all amounts due and payable to the Lender under the Loan Agreement in the relevant year, and to replenish the Reserve Fund to Reserve Requirement, but not in excess of 30 mills; *provided, however*, that if the method of calculating assessed valuation is changed, the maximum mill levy provided herein will be increased or decreased to reflect such changes, so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. Pursuant to the above provision, as of the date hereof, the District No. 2 maximum levy of 30 mills has been adjusted to 33.398 mills; *provided, further*, at such time as the debt to market actual value ratio within District No. 2 is less than or equal to three percent (3%), the board of District No. 2 may request City Council of the City of Colorado Springs approval for the right to pledge such mill levy as is necessary to pay debt service on the Loan, without limitation of rate.

District No. 3 Required Mill Levy: Shall mean an ad valorem mill levy imposed upon all taxable property of District No. 3 each year in an amount which, when combined with the District No. 2 Revenue, will produce ad valorem property tax revenue sufficient to pay the principal of and interest on the Loan and all amounts due and payable to the Lender under the Loan Agreement in the relevant year, and to replenish the Reserve Fund to Reserve Requirement, but not in excess of 30 mills; *provided, however*, that if the method of calculating assessed valuation is changed, the maximum mill levy provided herein will be increased or decreased to reflect such changes, so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes.

Funding Agreement: Means the Joint Funding Agreement (the "Funding Agreement") to be entered into between the District and District No. 3 in connection with the issuance of the Loan pursuant to which the District and District No. 3 will be required, *inter alia*, to impose the District No. 2 Required Mill Levy and the District No. 3 Required

Mill Levy for the payment of the Loan, which revenues derived therefrom shall be specifically pledged as security for the Loan. The Funding Agreement shall provide that the District and District No. 3 shall be jointly and severally liable for the repayment of the Loan.

Debt Service Reserve Fund: A debt service reserve fund (the "Reserve Fund") in an amount equal to 50% of maximum annual debt service on the Loan (the "Reserve Requirement") will be funded on the Closing Date with a portion of the proceeds of the Loan or existing funds of Woodmen Heights Metropolitan District No. 1 held in connection with the 2012 Bonds. The Reserve Fund shall secure the Loan and shall be held, invested and maintained with BBVA so long as the Loan remains outstanding.

Loan Payment Account: An account to be established with the Lender in connection with the Loan (the "Loan Payment Account") into which shall be deposited each year, immediately upon receipt thereof by the District, all Pledged Revenue until the amount therein is equal to annual debt service requirements on the Loan for such year. Amounts on deposit in the Loan Payment Account shall be held, invested and maintained with BBVA so long as the Loan remains outstanding.

Additional Debt: The District shall not be permitted to issue or incur any additional that is senior to or on parity with the Loan without the prior written consent of the Lender. The District shall be permitted to issue debt that is subordinate to the Loan subject to provisions acceptable to the Lender, including, but not necessarily limited to, the following conditions:

(i) the subordinate debt shall be payable as to principal and interest only once per year on December 15th, and only after all amounts to be paid or accumulated in connection with the Loan in such year have been paid or accumulated, and shall be payable only if no default has occurred and is then continuing with respect to the Loan;

(ii) the documentation pursuant to which the subordinate debt is authorized and incurred shall contain provisions to the effect that the payment thereof is fully subordinate and junior to the payment of the Loan; and

(iii) acceleration of the subordinate debt shall not be an available remedy or right under any circumstance, including without limitation a default under the subordinate debt.

Events of Default: Events of Default shall include those that are deemed standard and customary for transactions of this nature all of which shall be subject to satisfactory review by the Lender and its counsel.

Default Rate: Upon the occurrence of an Event of Default (except for an Event of Default arising out of a failure to pay the Loan in full on the Maturity Date) the Loan, if elected by the Lender, shall accrue interest at the interest rate otherwise then borne by the Loan plus 4.00% (the "Default Rate"). Upon the occurrence of an Event of Default arising out of failure to pay the Loan in full on the Maturity Date, the Loan shall accrue interest at a variable rate equal to Wall Street Prime Rate plus 2.00% (the "Post-Maturity Default Rate").

Determination of Taxability:

If interest on the Loan (following the Conversion Date) is determined not to be exempt from taxation as a result of any action or omission of action on the part of the District as provided in part (ii) of the Representations, Warranties & Covenants section below, the interest rate on the Loan, if elected by the Lender, shall be at a rate per annum equal to the interest rate otherwise then borne by the Loan *divided by* 79% (the "Taxable Rate").

Reporting Requirements:

The District shall provide, or cause to be provided, the following reporting requirements:

(i) by August 1 following the end of each year, audited financial statements of the Districts;

(ii) by February 1 of each year, a copy of the budget as adopted for such year for the Districts, which budget shall include a certificate of an authorized officer of each of the Districts setting forth the mill levy certified by District No. 2 and District No. 3 in December of the immediately preceding year;

(iii) by August 1 of each year, a certification of valuation issued by the County Assessor containing the preliminary certified actual value and assessed valuation of District No. 2 and District No. 3 for such year;

(iv) by February 1 of each year, a certification of valuation issued by the County Assessor, on or about December 10 in each year, containing the final certified actual value and assessed valuation of District No. 2 and District No. 3 for such year; and

(v) promptly upon request of the Lender such other reports or information regarding the Pledged Revenue, development updates, financial condition, business or operations of the Districts, as the Lender may reasonably request, provided such request does not cause the District to incur additional costs.

Representations/ Warranties and Covenants:

The Loan Agreement shall include those representations and warranties, affirmative and negative covenants, events of default and remedies and other provisions that the Lender and its counsel considers customary, reasonable and appropriate for the proposed Loan, including but not limited to the following:

(i) standard representations including, but not limited to, no adverse litigation and no material adverse change in financial condition of the District prior to the Closing Date;

(ii) the District shall covenant for the benefit of the Lender that it will not take any action or omit to take any action with respect to the Loan, the proceeds thereof, or any other funds of the District or any facilities financed or refinanced with the proceeds of the Loan if such action or omission would cause the interest on the Loan (following the Conversion Date) to lose its exclusion from gross income for federal income tax

purposes or applicable exclusion from alternative minimum taxable income pursuant to the Tax Code; and

(iii) any additional representations and warranties and other affirmative and negative covenants that Lender and Lender's counsel considers customary and reasonably appropriate for the proposed financing.

Conditions Precedent:

Closing of the Loan shall be subject to the following conditions, all of which shall be in form and substance satisfactory to the Lender and Lender's counsel:

(i) no change to the Pledged Revenue securing the Loan as presented in D.A. Davidson & Co. financial plan dated July 23, 2020 and no adverse change in the financial condition of the Districts prior to the Closing Date;

(ii) confirmation that the Woodmen Heights Metropolitan District No. 1 outstanding PILOT Agreement will be paid off in full prior to, or in connection with, the closing of the Loan;

(iii) any authorizing resolution(s) of the Districts as required for the issuance and repayment of the Loan;

(iv) opinions of counsel to the Districts as required by the Lender and Lender's counsel;

(v) properly executed Loan Agreement, Funding Agreement and related financing agreements in form and substance satisfactory to the Lender and Lender's counsel; and

(vi) any other reasonable conditions following review of the transaction documents by Lender's counsel.

Other Conditions:

The Loan shall be subject to the following additional conditions:

(i) the Loan shall not be registered or otherwise qualified for sale under the "Blue Sky" laws;

(ii) no CUSIP numbers will be obtained for the Loan;

(iii) no official statement or similar offering document shall be prepared in connection with the private placement of the Loan; and

(iv) Lender will sign an investor letter in form acceptable to Lender's counsel.

Closing Costs:

The District shall be responsible for all legal costs of Lender incurred in connection with the documentation and issuance of the Loan, which fees shall be payable on the Closing Date.

This summary of indicative terms and conditions is not a commitment to lend, purchase or to provide any other service related to a financing. Any such commitment or undertaking will be issued only in writing to the District subject to appropriate documentation, the terms of which are not limited to those set forth herein. This summary of indicative terms and conditions is intended as an outline of certain of the material terms of a proposed financing and is not intended to summarize all of the conditions, covenants, representations, warranties and other provisions that would be contained in definitive loan documents, and is subject to, among other things, completion of due diligence and final credit approval by the Lender.

This communication is being provided to you for informational purposes only. Neither the Lender nor its affiliates or any of its representatives are recommending any action to the District. The Lender is not acting, and will not be acting, as a financial advisor or municipal advisor to the District, and does not owe the District a fiduciary duty or any other duty pursuant to Section 15B of the Securities Exchange Act of 1934, as amended, with respect to the information and material contained in this communication. The Lender is acting for its own interest, which may be different from that of the District. The District should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this communication, including with respect to any legal, regulatory, tax or accounting treatment.

*This term sheet is intended for the sole and exclusive benefit of the District and the terms and provisions of this correspondence are **confidential** and may not be disclosed by the District to any other person or entity; provided, however, the foregoing restrictions on disclosure shall not apply to disclosure(s) to the District's legal counsel or financial advisor(s) for purposes of advising the District with respect hereto and provided, however, that such counsel and financial advisor(s) agree to preserve the confidentiality of this correspondence.*

Respectfully submitted,

BBVA USA

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Agreed and Accepted:

WOODMEN HEIGHTS METROPOLITAN DISTRICT NO. 2

By: _____
Name: _____
Title: _____

Date: _____

ADDENDUM I

YIELD MAINTENANCE FEE

The "Yield Maintenance Fee" shall be defined as the Annual Yield Differential multiplied by the Percent Being Prepaid, multiplied by the Average Remaining Outstanding Principal Amount, multiplied by the number of days from the date Lender received the prepayment (the "Prepayment Date") through the Maturity Date, divided by 360. The Yield Maintenance Fee shall only be applicable to any prepayment made that is in addition to the scheduled principal payments on the Loan and then only subject to the prepayment provisions contained in the Summary Terms & Conditions. For purposes of the foregoing calculation, the following capitalized terms shall have the meanings assigned below:

"Annual Yield Differential" means the difference (but not less than zero) between: (i) the U.S. Treasury constant maturity yield, as reported in the H.15 Report, for the Closing Date, for a maturity that is the same as the Maturity Date as of the Closing Date (rounded to the nearest whole number of months) or, if no such maturity is reported, an interpolated yield based on the reported maturity that is next shorter than, and the maturity reported that is next longer than, the Maturity Date as of the Closing Date, and (ii) the U.S. Treasury constant maturity yield, as reported in the H.15 Report, daily updates, for the Prepayment Date for a maturity that is the same as the remaining term of the Loan at the Prepayment Date (rounded to the nearest whole number of months) or, if no such maturity is reported, then the interpolated yield based on the reported maturity that is next shorter than, and the maturity reported that is next longer than, the remaining term of the Loan on the Prepayment Date. If the H.15 Report is not available for any day, then the H.15 Report for the immediately preceding day on which yields were last reported will be used.

"Average Remaining Outstanding Principal Amount" means the simple average of (i) the outstanding principal balance of Loan plus any accrued and unpaid fees or other sums owed in connection with the Loan as of the Prepayment Date (prior to any prepayment being applied), and (ii) the scheduled principal amount of the Loan as of the Maturity Date (taking into account any prior prepayments, but not the prepayment being then made).

"Percent Being Prepaid" means the amount determined by dividing the principal amount of the Loan being prepaid by the unpaid principal balance of the Loan as of the Prepayment Date.

Woodmen Heights Metropolitan District
Profit & Loss Budget vs. Actual
January through August 2020

	Jan - Aug 20	Budget	$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
4400 · Facility Fees	0.00	483,013.40	-483,013.40	0.0%
Fees				
Platting Fees	396,660.00	1,023,500.00	-626,840.00	38.8%
Facility Fees	969,345.76			
Taxes				
District 2				
Spec Own Tax - Debt	117,024.23	44,845.22	72,179.01	261.0%
Current Year - Debt	1,885,938.44	640,645.93	1,245,292.51	294.4%
Abatement Interest	6.11			
Current Year - O&M	628,646.16	673,881.46	-45,235.30	93.3%
Delinquent Int	50.02			
Spec Own Tax - O&M	38,690.48	134,539.27	-95,848.79	28.8%
Total District 2	2,670,355.44	1,493,911.88	1,176,443.56	178.7%
District 3				
Spec Own Tax - Debt	5,497.01			
Current Year - Debt	91,913.71	106,412.40	-14,498.69	86.4%
Current Year - O&M	30,887.06	37,371.69	-6,484.63	82.6%
Delinquent Int	51.60			
Spec Own Tax - O&M	1,900.77	7,448.87	-5,548.10	25.5%
Total District 3	130,250.15	151,232.96	-20,982.81	86.1%
Total Taxes	2,800,605.59	1,645,144.84	1,155,460.75	170.2%
Total Fees	4,166,611.35	2,668,644.84	1,497,966.51	156.1%
Total Income	4,166,611.35	3,151,658.24	1,014,953.11	132.2%
Gross Profit	4,166,611.35	3,151,658.24	1,014,953.11	132.2%
Expense				
6615 · Property Taxes				
District 2	44.76			
Total 6615 · Property Taxes	44.76			
Copies & Postage	122.30			
Fees Due				
Storm Water	4,655.40	6,000.00	-1,344.60	77.6%
BOD	2,800.00	3,000.00	-200.00	93.3%
Paying Agent Fee	4,000.00	6,000.00	-2,000.00	66.7%
Total Fees Due	11,455.40	15,000.00	-3,544.60	76.4%
Treasurer's Collection Fee	39,558.68	10,141.75	29,416.93	390.1%
6060 · Bank Service Charges	2,000.00	200.00	1,800.00	1,000.0%
6075 · Bond Expense				
Debt Service Interest	182,250.00			
Developer	0.00	423,500.00	-423,500.00	0.0%
6075 · Bond Expense - Other	17,750.00			
Total 6075 · Bond Expense	200,000.00	423,500.00	-223,500.00	47.2%
6160 · Dues and Subscriptions	3,435.44	4,000.00	-564.56	85.9%
6180 · Insurance	4,258.20	25,000.00	-20,741.80	17.0%
6570 · Professional Fees				
District Management	70,000.00	120,000.00	-50,000.00	58.3%
Engineering	0.00	5,000.00	-5,000.00	0.0%

Woodmen Heights Metropolitan District
Profit & Loss Budget vs. Actual
January through August 2020

	Jan - Aug 20	Budget	$ Over Budget	% of Budget
Landscaping Maintenance				
Trails at Forest Meadows	27,753.02			
Shiloh Mesa	7,471.88			
Quail Brush Creek	10,867.65			
Forest Meadows	29,826.42			
KF-103	23,961.07			
FMCG - Water	-160.00			
Landscaping Maintenance - Other	122,758.71	350,000.00	-227,241.29	35.1%
Total Landscaping Maintenance	222,478.75	350,000.00	-127,521.25	63.6%
Planning	5,592.00			
6571 · Accounting	16,526.00	25,000.00	-8,474.00	66.1%
6572 · Legal Fees	18,625.92	60,000.00	-41,374.08	31.0%
Total 6570 · Professional Fees	333,222.67	560,000.00	-226,777.33	59.5%
6610 · Postage and Delivery	0.00	500.00	-500.00	0.0%
Total Expense	594,097.45	1,038,341.75	-444,244.30	57.2%
Net Ordinary Income	3,572,513.90	2,113,316.49	1,459,197.41	169.0%
Other Income/Expense				
Other Income				
7010 · Interest Income				
O&M	243.42			
7010 · Interest Income - Other	5,788.53			
Total 7010 · Interest Income	6,031.95			
7030 · Other Income	10,000.00			
Total Other Income	16,031.95			
Other Expense				
7099 · Assets transferred out	0.00	0.00	0.00	0.0%
Total Other Expense	0.00	0.00	0.00	0.0%
Net Other Income	16,031.95	0.00	16,031.95	100.0%
Net Income	3,588,545.85	2,113,316.49	1,475,229.36	169.8%

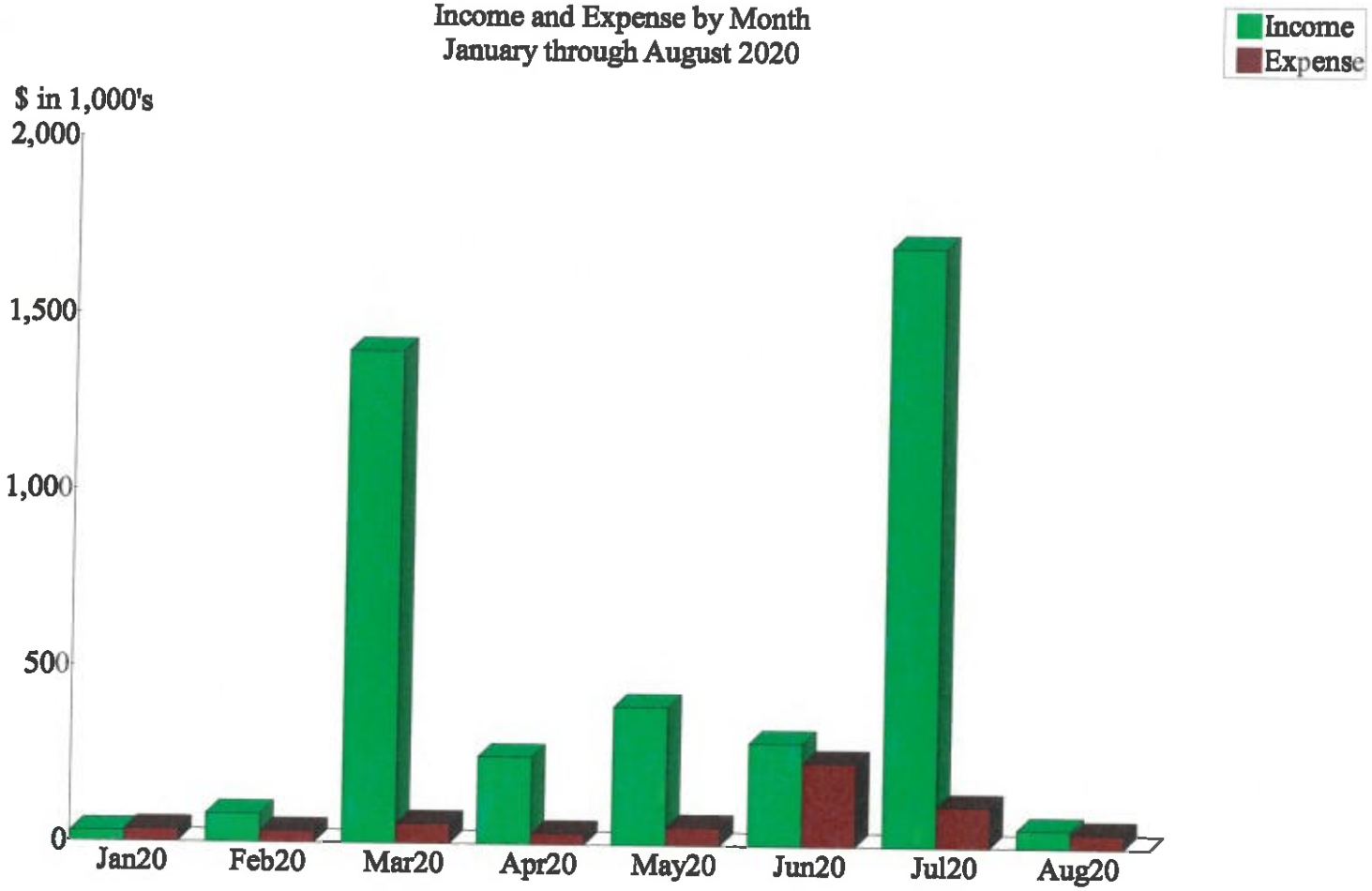
Woodmen Heights Metropolitan District
Balance Sheet
As of August 31, 2020

		Aug 31, 20
ASSETS		
Current Assets		
Checking/Savings		
WF 2012 Sub Surplus #6803		252,767.25
WF 2012 Sub Bond #6804		3,400,133.81
WF 2012 Bond #6800		297,393.02
WF 2012 Surplus #6801		50,000.00
1110 · WHMD Wells Fargo Checking		2,054,778.51
Total Checking/Savings		6,055,072.59
Accounts Receivable		
1210 · Accounts Receivable		250,758.20
1220 · PILOT Agreement		967,541.53
1224 · Accrued Interest Rec (PILOT)		34,979.00
1230 · Property Taxes Receivable WH2		1,902,506.00
1235 · Property Taxes Receivable WH3		94,114.00
Total Accounts Receivable		3,249,898.73
Other Current Assets		
1232 · County Receivables D2		18,052.03
1238 · County Receivables D3		1,071.50
1390 · Undeposited Funds		7,542.60
Total Other Current Assets		26,666.13
Total Current Assets		9,331,637.45
Fixed Assets		
1300 · Construction in Progress		
1343 · Vollmer Drainage	853,000.00	
1301 · 51-1 Engineering	1,233,786.17	
1302 · 51-2 Engineering	545,898.77	
1303 · 51-3 Misc-Road/Drainage	885,359.65	
1303.1 · 51-3.1 Misc-Water/Sewer	462,358.74	
1304 · 51-4 Management-Road/Drainage	356,630.00	
1306.1 · 51-6-2 NEW Pond 2	369.87	
1312 · 51-12 Grading	333,128.22	
1316.1 · 51-16 24" Water Main-Cedarwood	454.66	
1323 · 51-23 Blk Forest Impvmts/Utity	167,162.00	
1324 · 51-24 Cowpoke Imp/San Sew/Utity	-3,942.72	
1326 · 51-26 24" Water Main-Marksheff	75,000.19	
1327 · 51-27 Black Forest Improvements	13,833.81	
1329 · 51-29 Black Forest Park	428,566.77	
1330 · 51-30 Vollmer Improvements	15,084.54	
1331 · 51-31 Sorpresa	2,016,701.42	
1332 · 51-32 Forest Meadows Ave	2,257,467.00	
1333 · 51-33 Marksheffel Road	2,499.79	
1334 · 51-34 Storm Sewer Facilities WH	671,973.39	
1336 · 51-36 Wetland Mit-Ph 1	291,526.23	
1337 · 51-37 Landscape/Fence/Park 5.6	1,386,773.17	
1340 · 51-40 Landscape/Fence/StreetW	910,647.47	
1341 · 51-41 Landscape/Pocket Parks	165,522.00	
1342 · 51-42 Bridge Fees	233,268.55	
1300 · Construction in Progress - Other	1,843,803.49	
Total 1300 · Construction in Progress		15,146,873.18
1540 · Accumulated Depreciation		-4,392,261.00
Total Fixed Assets		10,754,612.18
TOTAL ASSETS		20,086,249.63

Woodmen Heights Metropolitan District
Balance Sheet
As of August 31, 2020

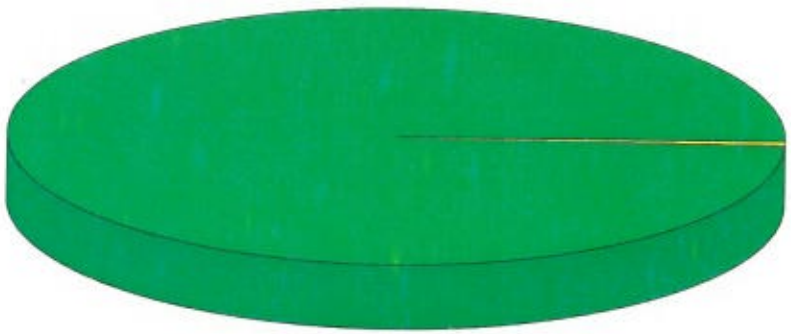
	Aug 31, 20
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2010 · Accounts Payable	352,670.14
Total Accounts Payable	352,670.14
Other Current Liabilities	
2612 · Series 2012 A Bonds - Current	95,000.00
2020 · Deferred Revenue-PILOT	967,541.53
2022 · Deferred Property Tax Rev WH2	1,920,558.00
2025 · Deferred Property Tax Rev WH3	95,186.00
2030 · Interest Payable	131,690.00
Total Other Current Liabilities	3,209,975.53
Total Current Liabilities	3,562,645.67
Long Term Liabilities	
3609 · Series 2012B Bonds Accr	11,992,320.53
2620 · Series 2012 B Bonds Prin	19,841,680.00
2610 · Series 2012 A Bonds	5,980,000.00
2530 · RS Holding Company A1	647,109.84
2550 · KF 103-CV, LLC	1,523,814.43
2552 · ESI-Developer Advances	321,131.36
2554 · Short Stick, LLC-Developer Adv	2,749,712.00
2556 · Marksheffel Woodmen Inv Dev Adv	78,932.00
2590 · Advance from Morley Companies	2,019,199.04
2600 · Acc'd INT Developer advances	604,391.29
Total Long Term Liabilities	45,758,290.49
Total Liabilities	49,320,936.16
Equity	
3000 · Opening Balance Equity	1,001,995.57
3910 · Retained Earnings	-33,825,227.95
Net Income	3,588,545.85
Total Equity	-29,234,686.53
TOTAL LIABILITIES & EQUITY	20,086,249.63

Income and Expense by Month
January through August 2020



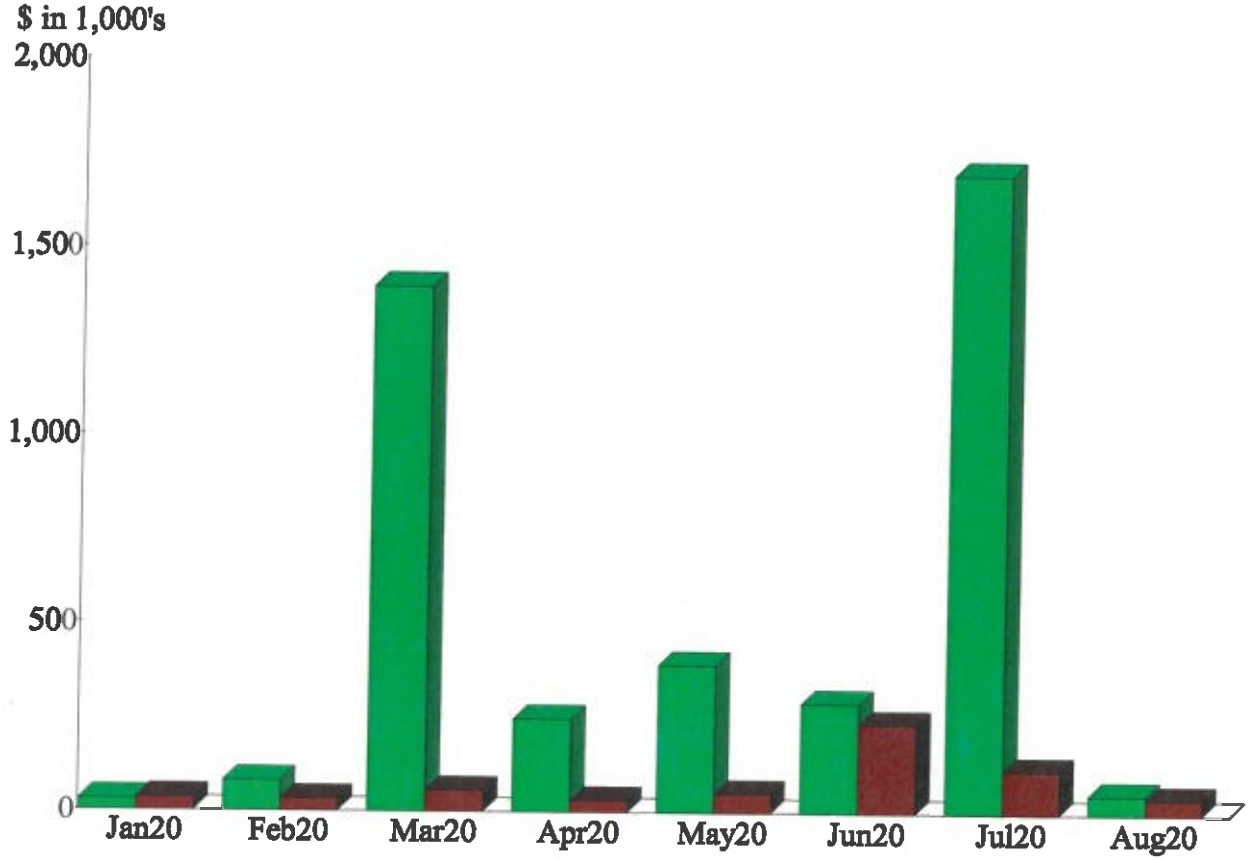
Income Summary
January through August 2020

Fees	99.62%
7030 · Other Income	0.24
7010 · Interest Income	0.14
Total	$4,182,643.30



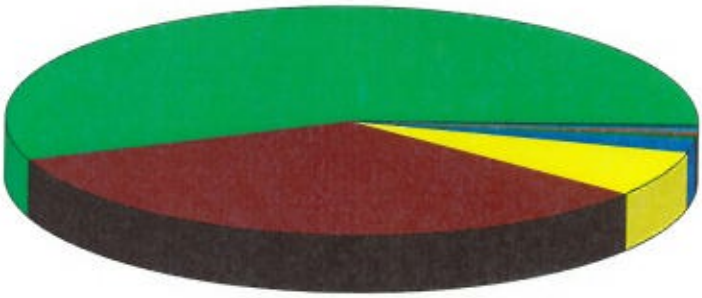
By Account

Income and Expense by Month
January through August 2020



Expense Summary
January through August 2020

6570 · Professional Fees	56.09%
6075 · Bond Expense	33.66
Treasurer's Collection Fee	6.66
Fees Due	1.93
6180 · Insurance	0.72
6160 · Dues and Subscriptions	0.58
6060 · Bank Service Charges	0.34
Copies & Postage	0.02
6615 · Property Taxes	0.01
Total	$594,097.45



By Account

Woodmen Heights Metropolitan District
GENERAL FUND ACCOUNT
8/19/2020

Company	Invoice	Date	Amount	Comments
Lindsay Case	LC08052020	8/5/2020	$ 100.00	
Randle Case	RC08052020	8/5/2020	$ 100.00	
Les Kronfeldt	LK08052020	8/5/2020	$ 100.00	
James Morley	JM08052020	8/5/2020	$ 100.00	
Kyle Geditz	Absent	8/5/2020	$ -	
BiggsKofford	100090	8/12/2020	$ 16,526.00	
Colorado Springs Utilities	CSUVarious.11	7/31/2020	$ 20,404.72	
City of Colorado Springs	CCSVarious.11	7/31/2020	$ 1,209.30	
City of Colorado Springs	Email;	8/5/2020	$ 1,100.00	
Pedcor Investments	Refund	7/24/2020	$ 1,548.00	Overpayment for Facility Fees
Walker Schooler District Managers	6579	7/31/2020	$ 13,932.00	
WellsFargo	1867581	7/21/2020	$ 2,000.00	
Weisburg Landscape Maintenance	Various	8/11/2020	$ 15,353.35	
White Bear Ankele Tanka Waldron	11707	7/31/2020	$ 2,995.63	
TOTAL			$ 75,469.00	

BOND FUND ACCOUNT

Company	Date	Amount	Comments
Facility Fees Paid: DISTRICT 2	JULY	$ 18,856.50	Single Family
Facility Fees Paid: DISTRICT 2	JULY	$ 617,738.94	Multi Family
Facility Fees Paid: DISTRICT 3			Commercial
El Paso County Taxes: DISTRICT 2	JULY	$ 24,881.61	
El Paso County Taxes: DISTRICT 3	JULY	$ 1,901.06	
PILOT Fees Paid			
TOTAL		$ 663,378.11	

Woodmen Heights Metropolitan District, Director

$ 738,847.11