

RUSSELL W. DYKSTRA  
DIRECT DIAL: 303.839.3845  
rdykstra@spencerfane.com

File No. 5114325-0902

March 24, 2016

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

Re: Interquest North Business Improvement District – Limited Tax General Obligation Bond,  
Series 2016

Dear Mr. Schueler:

This office represents the Interquest North Business Improvement District (the "District"). Enclosed please find six (6) copies of: (a) the Resolution of the Board of Directors of the District authorizing the issuance of the District's Limited Tax General Obligation Bonds, Series 2016, in the initial principal amount of \$4,765,000 (the "Bond Resolution") and the form of bond (as Exhibit A to the Bond Resolution) (the "2016 Bond"); and (b) the other documents identified below.

Pursuant to the City of Colorado Spring's current policy relating to special districts (which policy was approved by the City on January 24, 2006) (hereinafter, the "Special District Policy"), copies of the Bond Resolution and the 2016 Bond are being provided to your office in order that City Council may act to approve the same at an upcoming meeting. The 2016 Bond will be repaid by a mill levy that will not exceed 50 mills per year (pursuant to the District's Operating Plan), subject to Gallagher adjustments and PIF revenues as described in the Bond Resolution. The 2016 Bond will bear interest at a maximum of 6.5%, will be subject to mandatory sinking fund redemption in each of the years 2016 through 2045, and will finally mature on December 1, 2045.

In accordance with the Special District Policy:

A. Present and future property owners within the District will not be burdened with debt service mill levies of the District higher than the limited debt service mill levy set forth in the Operating Plan. The District's Operating Plan contains a maximum debt service mill levy of fifty (50) mills, subject to adjustment as provided for in the Operating Plan. The enclosed tax levy analysis completed by RBC Capital Markets Corporation shows an anticipated debt service mill levy in the range of fifty (50) mills.

B. It is anticipated that the 2016 Bond will be marketed exclusively to one (1) accredited investor as defined in rule 501(a) promulgated under the Securities Act of 1933 (a company related to the landowner/developer).

C. Repayment of principal and interest on the 2016 Bond is limited to ad valorem property taxes, PIF revenues, permitted user fees, reimbursements or interest earnings of the BID.

Denver 1324709.1

**FIGURE 2**

D. The 2016 Bond shall not default for nonpayment if the District is levying the maximum allowed mill levy.

E. The 2016 Bond is appropriately structured to ensure that a subsequent "refunding" bond issue, if any, will be able to be issued as a tax exempt issue.

F. The public improvements to be financed by the 2016 Bond consist of street improvements, parking facilities and certain water improvements.

The Bond Resolution and form of the 2016 Bond were approved at a properly noticed special meeting of the Board of Directors of the District held on February 24, 2016.

In accordance with the Special District Policy, issuance of the 2016 Bond will not occur until the enclosed documents have been reviewed by City Council to ensure compliance with the District's Operating Plan.

The principal amount of the 2016 Bond (\$4,765,000) in combination with the District's Series 2010 Bonds (\$6,200,000) is in excess of the \$9,900,000 debt limitation established in the District's 2005 Operating Plan; however, the Operating Plan provides that such amount may be exceeded with City Council approval, which approval is sought by this submittal. The 2005 limit was the product of the 2005 voter approved debt limit. The voters of the District have since authorized additional debt to allow this bond issuance due to the increase in the costs of construction since 2005. The increase in debt will be able to be serviced by the limited mill levy and PIF revenues of the District.

Also enclosed herewith are copies of the following, as required by the Special District Policy:

- (1) the external financial advisor certification; and
- (2) the engineering certification of reasonable cost (for reimbursement of the landowner/developer).

At your earliest convenience, please have City Council review the enclosed documents to ensure that the 2016 Bond is being issued in compliance with the Special District Policy. The District would like to close the transaction on or about May 15, 2016.

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

Sincerely,

*Russell W. Dykstra*

Russell W. Dykstra

RWD/lhl  
Enclosures