

## CAPITAL PLEDGE AGREEMENT

This **CAPITAL PLEDGE AGREEMENT** (the “**Agreement**” or “**Pledge Agreement**”), is made and entered into and dated as of March \_\_, 2018, by and among **CANYON CREEK METROPOLITAN DISTRICT NO. 2** (“**District No. 2**”), **CANYON CREEK METROPOLITAN DISTRICT NO. 3** (“**District No. 3**”), **COLORADO SPRINGS URBAN RENEWAL AUTHORITY**, a body corporate and politic duly existing under the laws of the State of Colorado (the “**Authority**”), and **UMB BANK, N.A.** (the “**Trustee**”), in its capacity as trustee under the Indenture of Trust (Senior) dated as of March \_\_, 2018, and the Indenture of Trust (Subordinate) dated as of March \_\_, 2018, each as entered into with the Authority (the “**Indentures**”). District No. 2 and District No. 3 are referred to herein individually as a “**Pledge District**” and, collectively, as the “**Pledge Districts.**” Each Pledge District is a quasi-municipal corporation and political subdivision of the State of Colorado (the “**State**”).

### RECITALS

WHEREAS, the formation of the Pledge Districts, and Canyon Creek Metropolitan District No. 1 (“**District No. 1,**” and together with the Pledge Districts, the “**Districts**”) was approved by the City of Colorado Springs, Colorado by the approval of a Consolidated Service Plan for Canyon Creek Metropolitan Districts Nos. 1–3, approved by the City Council on October 14, 2008 (the “**Service Plan**”); and

WHEREAS, under the Service Plan, the Pledge Districts and District No. 1 are intended to work together and coordinate their activities with respect to the financing, construction, operation and maintenance of public improvements necessary to serve development within the Pledge Districts, which is generally anticipated to consist of residential development in District No. 2, and commercial development in District No. 3; and

WHEREAS, the Districts’ organization was also approved by their respective electors, such approvals fully contemplating cooperation among the Districts and other governmental entities, such as the Authority, as provided herein; and

WHEREAS, pursuant to the Colorado Constitution Article XIV, Section 18(2)(a), and Section 29-1-203, Colorado Revised Statutes, as amended (“**C.R.S.**”), the Pledge Districts and the Authority 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, the purposes for which the Districts were formed include the provision of, among other things, public improvements for the use and benefit of all anticipated inhabitants and taxpayers of the Pledge Districts, including water, sewer, roads, traffic safety, and parks and recreation, all in accordance with the Service Plan; and

WHEREAS, as contemplated by the Service Plan, the Districts have entered into a District Administrative Services Agreement, dated December 12, 2017, as the same may be

amended or restated from time to time (the “**Operating Agreement**”), for the purpose of establishing their respective roles, responsibilities and obligations with respect to the ownership, operation and maintenance of certain public improvements (to the extent such public improvements are not dedicated to another governmental entity) and, in accordance with such Operating Agreement, District No. 1 is to be responsible for the design, acquisition, installation, construction, and limited operation and maintenance of the public improvements and provision of certain administrative services on behalf of the Districts, and the Pledge Districts are to fund or contribute to funding the costs of such administrative, operation and maintenance services provided by District No. 1 as well as the costs of construction of public improvements, in accordance with, and subject to the limitations of, the Operating Agreement, which funding obligations are subordinate to any bonds or other financial obligations, such as this Pledge Agreement, that may be issued by the Pledge Districts; and

WHEREAS, the Districts have determined that the public improvements set forth on Exhibit B hereto (the “**Public Improvements**”) were generally contemplated by the Service Plan, are needed and, due to the nature of the Public Improvements and proximity and interrelatedness of the development anticipated to occur within the boundaries of the Districts, such Public Improvements do or will benefit the Districts, residents, property owners and taxpayers in the Districts as a whole; and

WHEREAS, in contemplation of the provision of the Public Improvements, the Districts and On the Ivy, LLC have previously entered into the Reimbursement Agreement (Canyon Creek), dated November 17, 2009, and the Districts anticipate entering into an Infrastructure Acquisition Agreement with Ivywild Development I, LLC (the “**Developer**”) prior to the effective date of this Pledge Agreement (together, the “**Reimbursement Agreement**”); and

WHEREAS, pursuant to the Operating Agreement, the Pledge Districts are obligated to fund amounts outstanding under the Reimbursement Agreements; and

WHEREAS, the Boards of the Districts and of District No. 1 have previously determined that it was necessary to acquire, construct and install a portion of the Public Improvements the debt for which was approved by the Elections (defined below) and, to reimburse the Developer for costs of or relating to the Public Improvements and organization of the Districts which are due or to become due to the Developer under the Reimbursement Agreement (the “**Project**”); and

Whereas, the City of Colorado Springs (the “**City**”) established an “**Urban Renewal Area**” (as defined in the Indenture) that includes the land within the Districts by approval of an urban renewal plan, known as the South Nevada Avenue Area Urban Renewal Plan, as amended from time to time (the “**Urban Renewal Plan**”); and

WHEREAS, to provide for the redevelopment of the portion of the Urban Renewal Area that includes the Districts (such portion is more particularly defined in the Senior Indenture (defined herein) as the “**Property**”), the Authority entered into an “Urban Renewal Agreement for Development of the South Nevada Avenue Area Urban Renewal Plan Area” dated as of December 16, 2015 (the “**Original Redevelopment Agreement**”) with the Developer; and

WHEREAS, [[on the date hereof]], the Original Urban Renewal Agreement is being amended and restated by the Amended and Restated Urban Renewal Agreement for Development of the South Nevada Avenue Area Urban Renewal Plan Area (as so amended and restated, the “**Redevelopment Agreement**”) among the Authority, the Pledge Districts, and the Developer; and

WHEREAS, the Redevelopment Agreement provides, among other things, that the Pledge Districts shall assist in the issuance of indebtedness by the Authority by levying certain ad valorem property taxes and pledging the revenues collected by the Pledge Districts from such taxes to the payment of bonds issued by the Authority, as provided herein, for the purpose of financing or refinancing the costs of Public Improvements or any portion thereof; and

WHEREAS, for the purpose of financing a portion of the Public Improvements (including paying amounts due under the Reimbursement Agreement), the Board of Directors of the Authority has previously determined to issue its Senior Special Revenue Bonds (Canyon Creek Project), Series 2018A, in the aggregate principal amount of \$\_\_\_\_\_ (the “**2018A Senior Bonds**”) pursuant to an Indenture of Trust (Senior) dated as of March \_\_, 2018 (the “**Senior Indenture**”) between the Authority and UMB Bank, n.a., as trustee (the “**Trustee**”), which 2018A Senior Bonds are to be secured by the Pledge Agreement Revenues hereunder, as more particularly described herein and in the Indenture; and

WHEREAS, for the purpose of financing or reimbursing an additional portion of the Public Improvements (including paying amounts due under the Reimbursement Agreement), on or about the date of issuance of the 2018A Senior Bonds, the Authority intends to issue its Subordinate Special Revenue Bonds (Canyon Creek Project), Series 2018B, in the aggregate principal amount of \$\_\_\_\_\_ (the “**2018B Subordinate Bonds**”), pursuant to an Indenture of Trust (Subordinate) dated as of March \_\_, 2018 (the “**2018B Subordinate Indenture**”), by and between the Authority and UMB Bank, n.a., as trustee; and

WHEREAS, in order to provide for the payment of the 2018A Senior Bonds, the 2018B Subordinate Bonds, and additional obligations that may be issued by the Authority from time to time for the purpose of financing or refinancing the costs of the Public Improvements (as more particularly defined herein, the “**Additional Obligations**”), the Pledge Districts have, by the terms of this Pledge Agreement and as required by the Redevelopment Agreement, pledged certain revenues (referred to herein as the Pledge Agreement Revenues) to the Authority for the payment of the 2018A Senior Bonds, the 2018 Subordinate Bonds, and the Additional Obligations, and covenanted to take certain actions with respect to generating such revenues, for the benefit of the holders of the 2018A Senior Bonds, the 2018B Subordinate Bonds, and any Additional Obligations (the “**Bondholders**”); and

WHEREAS, the 2018A Senior Bonds and the 2018B Subordinate Bonds are to be issued in minimum denominations of \$500,000 and integral multiples of \$1,000 in excess thereof, or otherwise such that this Pledge Agreement will qualify for an exemption from registration under the Colorado Municipal Bond Supervision Act; and

WHEREAS, pursuant to the provisions of Section 32-1-1101(6)(a)(IV), C.R.S., that apply to the Pledge Districts and this Pledge Agreement, the 2018A Senior Bonds and the 2018B Subordinate Bonds are to be issued only to “financial institutions or institutional investors” as such terms are defined in Section 32-1-103(6.5), C.R.S., unless otherwise permitted pursuant to the provisions of Section 32-1-1101(6), C.R.S.; and

WHEREAS, at an election of the qualified electors of each of the Pledge Districts duly called for and held on November 4, 2008 (the “**Elections**”), in accordance with law and pursuant to due notice, a majority of eligible electors who voted at such Elections voted in favor of the issuance of general obligation indebtedness and the imposition of taxes for the payment thereof, for the purpose of funding certain improvements and Public Improvements as follows (the ballot questions relating thereto being attached as Exhibit A hereto):

<b>Authorization</b>		
<b><u>Purpose</u></b>	<b><u>District No. 2</u></b>	<b><u>District No. 3</u></b>
Water	\$3,200,000	\$3,200,000
Sanitation	\$3,200,000	\$3,200,000
Streets	\$3,200,000	\$3,200,000
Traffic and Safety	\$3,200,000	\$3,200,000
Parks and Recreation	\$3,200,000	\$3,200,000
Transportation	\$3,200,000	\$3,200,000
Mosquito Control	\$3,200,000	\$3,200,000
<b>TOTAL</b>	\$22,400,000	\$22,400,000

WHEREAS, it has been determined by the Districts and it is hereby determined that each Pledge District shall be liable for the repayment of the 2018A Senior Bonds, the 2018B Subordinate Bonds, and Additional Obligations (if any) generally in accordance with their relative assessed valuations based upon the imposition of the Required Mill Levy (defined herein) by each Pledge District, subject to the limitations set forth herein, and that such allocation is fair and is reasonably related to the relative benefit the residents, property owners, and taxpayers of the Pledge Districts receive from the Project; and

WHEREAS, due to the nature of the obligation incurred by the Pledge Districts hereunder, it is not possible to predict with certainty the amount of principal and interest on the 2018A Senior Bonds, the 2018B Subordinate Bonds, and Additional Obligations (if any) each Pledge District will pay hereunder, and as a result, the Pledge Districts each will allocate to their respective Election all of the indebtedness represented by this Pledge Agreement, based upon the principal amounts of 2018A Senior Bonds and 2018B Subordinate Bonds payable pursuant to the terms hereof and the allocation to the Public Improvements financed by the 2018A Senior Bonds and the 2018B Subordinate Bonds, as set forth in Exhibit B hereto; and

WHEREAS, the Pledge Districts will, upon the issuance of Additional Obligations as permitted by this Pledge Agreement, allocate additional electoral authority as applicable; and

WHEREAS, the Pledge Districts have determined and hereby determine that the execution of this Pledge Agreement and the Redevelopment Agreement, the issuance of the 2018A Senior Bonds, the 2018B Subordinate Bonds, and any Additional Obligations, and the provision of the Public Improvements are in the best interests of the Pledge Districts and the residents, property owners, and taxpayers thereof; and

WHEREAS, all amendments to this Pledge Agreement made pursuant hereto and not in specific conflict with specific limits of the ballot questions, which authorized the debt represented by this Pledge Agreement, shall be deemed part of this Pledge Agreement and fully authorized by such ballot questions.

## COVENANTS

NOW, THEREFORE, for and in consideration of the promises and the mutual covenants and stipulations herein, the parties hereby agree as follows:

### ARTICLE I

#### DEFINITIONS

**Section 1.01. Interpretation.** In this Pledge Agreement, unless the context expressly indicates otherwise:

(a) The terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof” and any similar terms, refer to this Pledge Agreement as a whole and not to any particular article, section, or subdivision hereof; the term “heretofore” means before the date of execution of the Agreement, the term “now” means the date of execution of this Pledge Agreement, and the term “hereafter” means after the date of execution of this Pledge Agreement.

(b) All definitions, terms, and words shall include both the singular and the plural, and all capitalized words or terms shall have the definitions set forth in the Recitals to this Agreement and Section 1.02 hereof.

(c) Words of the masculine gender include correlative words of the feminine and neuter genders, and words importing the singular number include the plural number and vice versa.

(d) The captions or headings of this Pledge Agreement are for convenience only, and in no way define, limit, or describe the scope or intent of any provision, article, or section of this Pledge Agreement.

(e) All schedules, exhibits, and addenda referred to herein are incorporated herein by this reference.

**Section 1.02. Definitions.** As used herein, unless the context expressly indicates otherwise, the words defined below and capitalized throughout the text of this Pledge Agreement shall have the respective meanings set forth below or in the Recitals hereto:

*“Additional Obligations”* means any bonds, notes, certificates or obligations (including a repayment obligation under a loan agreement or similar agreement) issued or incurred by the Authority and designated by the Authority (in the applicable Additional Obligation Document) as secured by a lien on all or any portion of the Pledge Agreement Revenues payable hereunder; provided that such obligations are issued for the purpose of: (a) refinancing the 2018A Senior Bonds, the 2018B Subordinate Bonds, other Additional Obligations, or any other obligations of the Authority for which the Pledge Districts are obligated to impose ad valorem property taxes, or obligations issued to refinance the same; or (b) financing or refinancing additional costs of Public Improvements. An obligation shall not constitute an Additional Obligation hereunder unless (i) it will be issued, either: (A) in denominations of not less than \$500,000 each, or (B) to “accredited investors” as defined in Section 11-59-110(1)(g) C.R.S., unless an exemption from the registration requirements of the Colorado Municipal Bond Supervision Act, or any successor statute, is otherwise available; AND (ii) it will initially be issued to financial institutions or institutional investors, or in a manner otherwise satisfying one of the conditions of Section 32-1-1101(6)(a), C.R.S., or will constitute a refunding or restructuring contemplated by Section 32-1-1101(6)(b) C.R.S.

*“Additional Obligation Documents”* means, collectively, any resolution, indenture, loan agreement or other instrument agreement executed by the Authority pursuant to which Additional Obligations are issued or incurred, and any undertaking or agreement with respect to the provision of continuing disclosure relating thereto.

*“Agreement”* or *“Pledge Agreement”* means this Pledge Agreement and any amendment hereto made in accordance herewith.

*“Annual Financing Costs”* means, with respect to any calendar year, an amount equal to the principal, premium if any, and interest due under the Indenture and any Additional Obligations in the immediately succeeding calendar year, which may include an estimate of interest to become due if necessary, to be calculated in accordance with any Additional Obligation Documents, the amount (if any) necessary to replenish the Senior Reserve Fund held under the Senior Indenture and any other reserve fund held under any Additional Obligation Document to the amount required by the Senior Indenture or Additional Obligation Document, as applicable, and any amount required to be deposited to the Senior Surplus Fund under the Senior Indenture, and any other Financing Costs anticipated to be payable in the immediately succeeding calendar year with respect to the 2018A Senior Bonds, the 2018B Subordinate Bonds, and any Additional Obligations, in accordance with the Indentures or Additional Obligation Document, as applicable; provided however, that for the last Mill Levy Certification Date prior to the final maturity date of the 2018A Senior Bonds only, amounts on deposit in the Reserve Fund and the Surplus Fund shall be subtracted from the Annual Financing Costs prior to determination of the Required Mill Levy.

“*Authority*” means the Colorado Springs Urban Renewal Authority, and its successors and assigns.

“*Board*” or “*Boards*” means the lawfully organized Boards of Directors of the Districts.

“*Board of County Commissioners*” means the Board of County Commissioners for El Paso County, Colorado.

“*Colorado Municipal Bond Supervision Act*” means Title 11, Article 59, Part 1, C.R.S.

“*Districts*” means District No. 1 and both Pledge Districts collectively, including any duly authorized representative, officer, director, employee, agent, engineer or attorney of any District, if applicable.

“*District No. 2*” means Canyon Creek Metropolitan District No. 2, in the City of Colorado Springs, El Paso County, Colorado, and its successors and assigns.

“*District No. 3*” means Canyon Creek Metropolitan District No. 3, the City of Colorado Springs, El Paso County, Colorado, and its successors and assigns.

“*Financing Costs*” means the principal and redemption price of, and interest and premium on, the 2018A Senior Bonds, the 2018B Subordinate Bonds, any Additional Obligations, required deposits to or replenishments of funds or accounts securing the 2018A Senior Bonds, the 2018B Subordinate Bonds, and any Additional Obligations, and customary fees and expenses relating to the 2018A Senior Bonds and any Additional Obligations, all in accordance with the Senior Indenture or Additional Obligation Documents, as applicable, including: (a) with respect to the 2018A Senior Bonds, any scheduled mandatory sinking fund payments as provided in the Senior Indenture, replenishment of the Reserve Fund relating to the 2018A Senior Bonds, funding of the Surplus Fund (solely to the extent required by the Senior Indenture), and customary fees related to the issuance of the 2018A Senior Bonds and the 2018B Subordinate Bonds (including, but not limited to, fees of a trustee, paying agent, and rebate agent); and (b) with respect to any Additional Obligations, any scheduled mandatory or cumulative sinking fund payments and any extraordinary redemption amounts to the extent provided in the Additional Obligation Documents and replenishment of any reserves and funding of any surplus funds relating to the Additional Obligations, customary fees related to the issuance of the Additional Obligations (including, but not limited to, fees of a trustee, paying agent, rebate agent, and provider of liquidity or credit facility), and any reimbursement due to a provider of liquidity or credit facility securing any Additional Obligations.

“*Fiscal Year*” means the twelve month period ending December 31 of each calendar year.

“*Maximum Surplus Amount*” shall have the meaning assigned it in the Senior Indenture.

“*Mill Levy Certification Date*” means the date each year on which the Pledge Districts are required to impose the Required Mill Levy in accordance with the provisions hereof.

“*Operating Agreement*” means that certain District Administrative Services Agreement, dated December 12, 2017, by and among the Pledge Districts and District No. 1, as the same may be amended or restated from time to time.

“*Payment Obligation*” means, with respect to each Pledge District, its obligation to pay its allocated portion of the Financing Costs in accordance with the provisions hereof, but solely from Pledge Agreement Revenues, to the extent available.

“*Pledge Districts*” means Canyon Creek Metropolitan District No. 2 and Canyon Creek Metropolitan District No. 3.

“*Pledge Agreement Revenues*” means the revenues resulting from the imposition of the Required Mill Levy by the Pledge Districts. Pledge Agreement Revenues shall include the specific ownership taxes that may be received by the Pledge Districts as a result of their imposition of the Required Mill Levy.

“*Public Improvements*” means the public improvements set forth on Exhibit B hereto, as the same may be amended by written agreement of the parties hereto.

“*Required Mill Levy*” means, with respect to each of the Pledge Districts, an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) in an amount which, if imposed by each of the Pledge Districts for collection in the succeeding calendar year, would generate revenues (excluding any projected specific ownership taxes) equal to the Annual Financing Costs for the immediately succeeding calendar year, but not in excess of 30 mills; provided, however, that:

(a) for so long as the amount on deposit in the Senior Surplus Fund held under the Senior Indenture is less than the Maximum Surplus Amount (or to the extent otherwise required by any Additional Obligation Document to fund Financing Costs), the Required Mill Levy shall be equal to 30 mills, or such lesser amount that will generate revenues (excluding any projected specific ownership taxes) sufficient to pay the Payment Obligation;

(b) in the event that the method of calculating assessed valuation is changed after January 1, 2008, the maximum and minimum mill levies described above will be increased or decreased for each Pledge District, as applicable, to reflect such changes, such increases or decreases to be determined by the applicable Pledge District 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 imposed by the Pledge Districts, 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; and

(c) notwithstanding anything herein to the contrary, in no event may the Required Mill Levy be established at a mill levy which would cause the Pledge District to derive tax revenue in any year in excess of the maximum tax increases permitted by the Pledge 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 Pledge District's electoral authorization, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

“*Service Plan*” means the Consolidated Service Plan for Canyon Creek Metropolitan District Nos. 1–3, approved by the City Council Colorado Springs, Colorado on October 14, 2008.

“*State*” means the State of Colorado.

“*Termination Date*” means the earlier of: (a) the date on which all amounts due with respect to the 2018A Senior Bonds, the 2018B Subordinate Bonds, and any Additional Obligations have been defeased or paid in full; or (b) December 1, 2055 .

## ARTICLE II

### PAYMENT OBLIGATION

**Section 2.01. No Additional Electoral Approval Required.** The authorization for issuance of debt, fiscal year spending, revenue collections and other constitutional matters requiring voter approval for purposes of this Pledge Agreement, was approved at the Elections, in accordance with law and pursuant to due notice. The performance of the terms of this Pledge Agreement requires no further electoral approval.

#### **Section 2.02. Funding of Financing Costs Generally.**

(a) In exchange for the purchase by the Bondholders of the 2018A Senior Bonds, the 2018B Subordinate Bonds, and any Additional Obligations, the proceeds of which are to be applied to the provision of the Public Improvements, the Pledge Districts hereby each agree to pay such portion of the Financing Costs as may be funded with the respective Pledge Agreement Revenues to the extent available to each such Pledge District from imposition of the Required Mill Levy, in accordance with the provisions hereof.

(b) The obligation of each Pledge District to pay its portion of the Financing Costs as provided herein shall constitute a limited tax general obligation of each Pledge District payable solely from and to the extent of the Pledge Agreement Revenues. Such Pledge Agreement Revenues are hereby pledged by each Pledge District to the Authority, for the benefit of the Trustee and Bondholders, for the payment of Financing Costs in accordance with the provisions hereof. The obligation of each Pledge District to pay the Financing Costs as provided herein (the “**Payment Obligation**”) shall constitute an irrevocable lien upon the Pledge Agreement Revenues of such Pledge District. The Districts hereby elect to apply all of the provisions of the Supplemental Act to this Pledge Agreement and the Payment Obligation.

(c) In no event shall the total or annual obligations of the Pledge Districts hereunder exceed the maximum amounts permitted under their electoral authority and

any other applicable law. The entire Payment Obligation with respect to any Pledge District will be deemed defeased and no longer outstanding upon the payment by such Pledge District of such amount.

(d) Because the actual total Pledge Agreement Revenues payable by either Pledge District hereunder cannot be determined with any certainty at this time, neither Pledge District shall be permitted to pre-pay any amounts due hereunder.

### **Section 2.03. Imposition of Required Mill Levy.**

(a) In order to fund the Payment Obligation, each Pledge District agrees to levy on all of the taxable property of such Pledge District, in addition to all other taxes, direct annual taxes in 2018, and in each year thereafter until the Termination Date, so long as the 2018A Senior Bonds, the 2018 Subordinate Bonds, or Additional Obligations remain outstanding (subject to paragraph b) below, to the extent necessary to provide for payment of the Financing Costs, in the amount of the Required Mill Levy. Nothing herein shall be construed to require a Pledge District to impose an ad valorem property tax levy for the payment of the Payment Obligation in excess of the Required Mill Levy or after the Termination Date.

(b) IN ACCORDANCE WITH THE SERVICE PLAN, THE PLEDGE DISTRICTS SHALL NOT BE PERMITTED TO IMPOSE THE REQUIRED MILL LEVY FOR PAYMENT OF THE 2018A SENIOR BONDS, THE 2018B SUBORDINATE BONDS, OR ADDITIONAL OBLIGATIONS AFTER DECEMBER 2055 (FOR COLLECTION IN CALENDAR YEAR 2056).

(c) In order to facilitate the determination of the Required Mill Levy, each Pledge District shall provide to the Authority: (i) on or before September 30 of each year, commencing September 30, 2018, the preliminary certification of assessed value for such Pledge District provided by the El Paso County Assessor; and (ii) no later than one business day after receipt by each Pledge District, the final certified assessed value for such Pledge District provided by the El Paso County Assessor (expected to be provided to each Pledge District no later than December 10 of each year). In accordance with the definition of Required Mill Levy set forth herein, the Authority shall preliminarily determine, and provide to each Pledge District, the Required Mill Levy no later than October 15 of each year, and shall finally determine, and provide to each Pledge District, the Required Mill Levy no later than December 12 of each year.

(d) Each of the Pledge Districts acknowledge that they have actively participated in the development of the calculation for determining the Required Mill Levy, that such calculation is designed to reasonably allocate among the Pledge Districts and the Authority the Financing Costs based on the mutual benefit to the Districts of the Public Improvements (including the Project) and the relative ability of such Districts, dependent upon the relative stages of development therein, to fund such Financing Costs in any given year and that, so long as made in accordance with the foregoing, the determinations of the Authority as to the Required Mill Levy shall be final and binding upon each Pledge District.

(e) This Section 2.03 is hereby declared to be the certificate of the Pledge Districts to the Board of County Commissioners indicating the aggregate amount of taxes to be levied for the purposes of paying the Payment Obligation due hereunder.

(f) It shall be the duty of the Pledge Districts annually at the time and in the manner provided by law for the levying of the Pledge Districts' taxes, if such action shall be necessary to effectuate the provisions of this Pledge Agreement, to ratify and carry out the provisions hereof with reference to the levy and collection of the ad valorem property taxes herein specified, and to require the officers of the Pledge District to cause the appropriate officials of El Paso County, to levy, extend and collect said ad valorem taxes in the manner provided by law for the purpose of providing funds for the payment of the amounts to be paid hereunder promptly as the same, respectively, become due. Said taxes, when collected, shall be applied only to the payment of the amounts to be paid hereunder.

(g) Said taxes shall be levied, assessed, collected, and enforced at the time and in the form and manner and with like interest and penalties as other general taxes in the State.

(h) Each of the Pledge Districts shall pursue all reasonable remedies to collect, or cause the collection of, delinquent ad valorem taxes within its boundaries.

#### **Section 2.04. Payment and Application of Pledge Agreement Revenues.**

(a) The Pledge Districts hereby agree to remit to the Trustee, or as otherwise directed by the Authority (subject to the limitations and requirements of the Senior Indenture, the Subordinate Indenture, and any Additional Obligation Documents) as soon as practicable upon receipt, all revenues comprising Pledge Agreement Revenues, which Pledge Agreement Revenues shall be applied by the Trustee or other recipient thereof, in accordance with the Senior Indenture, the Subordinate Indenture, or Additional Obligation Documents, as applicable. To the extent any portion of such Pledge Agreement Revenues is released from the lien of the Senior Indenture, the Subordinate Indenture, and Additional Obligation Documents (if any), the Authority will direct the Trustee to return such Pledge Agreement Revenues to the Pledge Districts, and the Pledge Districts will ensure that such revenues are applied to other costs of the Public Improvements. Such Pledge Agreement Revenues shall be paid by the Pledge Districts in lawful money of the United States of America by check mailed or delivered, or by wire transfer, or such other method as may be mutually agreed to by the Districts.

(b) Each of the Pledge Districts hereby covenants that all property tax revenue collected by the Pledge Districts from the Required Mill Levy and all specific ownership taxes related to the Required Mill Levy shall first, be designated as Pledge Agreement Revenues in any year and transmitted to the Trustee to be applied to pay annual debt service on the 2018A Senior Bonds, 2018B Subordinate Bonds, or any Additional Obligations and to fund such funds and accounts as are required in accordance with the terms of the Indentures or other applicable Additional Obligation Documents

**Section 2.05. Effectuation of Pledge of Security, Current Appropriation.** The sums herein required to pay the amounts due hereunder are hereby appropriated for that purpose, and said amounts for each year shall be included in the annual budget and the appropriation resolution or measures to be adopted or passed by the Boards of the Pledge Districts in each year while any of the obligations herein authorized are outstanding and unpaid. No provisions of any constitution, statute, resolution or other order or measure enacted after the execution of this Pledge Agreement shall in any manner be construed as limiting or impairing the obligation of the Pledge Districts to levy ad valorem property taxes, or as limiting or impairing the obligation of the Pledge Districts to levy, administer, enforce and collect the ad valorem property taxes as provided herein for the payment of the obligations hereunder.

In addition, and without limiting the generality of the foregoing, the obligations of the Pledge Districts to transfer funds as described herein for each payment described herein shall survive any Court determination of the invalidity of this Pledge Agreement as a result of a failure, or alleged failure, of any of the directors of the Districts to properly disclose, pursuant to State law, any potential conflicts of interest related hereto in any way, provided that such disclosure is made on the record of Districts' meetings as set forth in their official minutes.

**Section 2.06. Limited Defenses; Specific Performance.** It is understood and agreed by each of the Pledge Districts that its obligations hereunder are absolute, irrevocable, and unconditional except as specifically stated herein, and so long as any obligation of such Pledge District hereunder remains unfulfilled, the Pledge District agrees that notwithstanding any fact, circumstance, dispute, or any other matter, it will not assert any rights of setoff, counterclaim, estoppel, or other defenses to its Payment Obligation, or take or fail to take any action which would delay a payment to, or on behalf of, the Authority, the Trustee, or any Bondholders or impair the ability of the Authority, the Trustee, or any Bondholders to receive payments due hereunder. Notwithstanding that this Pledge Agreement specifically prohibits and limits defenses and claims of a Pledge District, in the event that such Pledge District believes that it has valid defenses, setoffs, counterclaims, or other claims other than specifically permitted by this Section 2.06, it shall, nevertheless, make all payments as described herein and then may attempt or seek to recover such payments by actions at law or in equity for damages or specific performance, respectively.

**Section 2.07. Future Exclusion of Property.** Any property excluded from a Pledge District, and not immediately included into the other Pledge District, after the date hereof is to remain liable for the imposition of the Required Mill Levy and payment of the proceeds thereof in accordance with the provisions hereof, to the same extent as such property otherwise remains liable for the debt of such Pledge District, as provided in Section 32-1-503, C.R.S. In the event that any order providing for the exclusion of property from a Pledge District does not so provide and specifically indicate the liability of such excluded property for the obligations set forth herein, such Pledge District hereby agrees to take all actions necessary to cause the property owners of such proposed excluded property to covenant to assume all responsibilities under this Pledge Agreement, which covenants shall run with the land and shall be in a form satisfactory to the Authority. If any property is excluded from a Pledge District and immediately included in the other Pledge District, the intent of this Pledge Agreement is that the Required Mill Levy should be imposed on any such property by only one Pledge District in any year, to avoid double taxation.

**Section 2.08. Additional Covenants.**

(a) Without the prior consent of the Owners of [[100%]] of the 2018A Senior Bonds, the 2018B Subordinate Bonds, and any Additional Obligations outstanding, neither Pledge District will issue or incur bonds, notes, or other obligations payable in whole or in part from, or constituting a lien upon, the general ad valorem taxes of such Pledge District; provided, however, that the following obligations shall be permitted without the consent of any other Pledge District, the Authority, or Owners of the 2018A Senior Bonds or Additional Obligations:

(i) obligations issued solely for the purpose of paying operations and maintenance costs of the Pledge District, the repayment of which is contingent upon the Pledge District's annual determination to appropriate moneys therefor (other than obligations of such Pledge District as lessee under capital leases), so long as (A) no amounts due or to become due on such obligations are payable from such Pledge District's debt service mill levy, and (B) no amounts due or to become due on such obligations are payable from such Pledge District's operations and maintenance mill levy in excess of that permitted by the Pledge District's Service Plan (after taking into account the Required Mill Levy required hereunder, in the event that the Service Plan then establishes a combined limit for debt service and operation and maintenance mill levies);

(ii) obligations issued for any purpose, the repayment of which is contingent upon such Pledge District's annual determination to appropriate moneys therefor (other than obligations of such Pledge District as lessee under capital leases), so long as (A) such obligations are payable only to the extent such Pledge District has excess moneys on hand, (B) such obligations are payable in any Fiscal Year only after the last scheduled payment of principal or interest on the 2018A Senior Bonds in such Fiscal Year, and (C) such Pledge District makes no promise to impose any tax, fee, or other governmental charge for the payment of such obligations;

(iii) obligations which are payable solely from the proceeds of obligations permitted to be issued in accordance with the provisions hereof, when and if issued;

(iv) obligations payable solely from periodic, recurring service charges imposed by such Pledge District for the use of any Pledge District facility or service, which obligations do not constitute a debt or indebtedness of such Pledge District or an obligation required to be approved at an election under State law;

(v) obligations to reimburse any person in respect of surety bonds, financial guaranties, letters of credit, or similar credit enhancements so long as (A) such surety bonds, financial guaranties, letters of credit, or similar credit enhancements guarantee payment of principal or interest on any obligation

permitted to be issued in accordance with the provisions hereof, and (B) the reimbursement obligation does not arise unless payment of an equivalent amount (or more) of principal on the secured obligation, and (C) such reimbursement obligations are payable from the same or fewer revenue sources, with the same or a subordinate lien priority as the obligations supported by the surety bonds, financial guaranties, letters of credit, or similar credit enhancements; and

(vi) any operating leases, payroll obligations, accounts payable, or taxes incurred or payable in the ordinary course of business of such Pledge District.

(b) At least once a year, each Pledge District will either cause an audit to be performed of the records relating to its revenues and expenditures or, if applicable under State statute, will apply for an audit exemption, and each Pledge District shall use its best efforts to have such audit report or application for audit exemption completed no later than September 30 of each calendar year. The foregoing covenant will apply notwithstanding any different time requirements for the completion of such audit or application for audit exemption under State law. In addition, at least once a year in the time and manner provided by law, each Pledge District will cause a budget to be prepared and adopted. Copies of the budget and the audit or audit exemption will be filed and recorded in the places, time, and manner provided by law.

(c) Each Pledge District agrees to make best efforts to assist the Authority in the provision of information on an ongoing basis concerning development occurring within the boundaries of the respective Pledge District in accordance with the requirements of the Continuing Disclosure Agreement entered into by the Authority in connection with the issuance of the 2018A Senior Bonds and the 2018B Subordinate Bonds, and any similar agreement entered into by the Authority in connection with the issuance of Additional Obligations.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES

**Section 3.01. Representations and Warranties of the Districts.** The Pledge Districts hereby make the following representations and warranties:

(a) The Pledge Districts are both quasi-municipal corporations and political subdivisions duly organized and validly existing under the laws of the State.

(b) The Pledge Districts have all requisite corporate power and authority to execute, deliver, and to perform their obligations under this Pledge Agreement. The Pledge Districts' execution, delivery, and performance of this Pledge Agreement has been duly authorized by all necessary action.

(c) The Pledge Districts are not in violation of any of the applicable provisions of law or any order of any court having jurisdiction in the matter, which

violation could reasonably be expected to materially adversely affect the ability of the Pledge Districts to perform their obligations hereunder. The execution, delivery and performance by the Pledge Districts of this Pledge Agreement (i) will not violate any provision of any applicable law or regulation or of any order, writ, judgment, or decree of any court, arbitrator, or governmental authority, (ii) will not violate any provision of any document or agreement constituting, regulating, or otherwise affecting the operations or activities of the Pledge Districts in a manner that could reasonably be expected to result in a material adverse effect, and (iii) will not violate any provision of, constitute a default under, or result in the creation or imposition of any lien, mortgage, pledge, charge, security interest, or encumbrance of any kind on any of the revenues or other assets of the Pledge Districts pursuant to the provisions of any mortgage, indenture, contract, agreement, or other undertaking to which either Pledge District is a party or which purports to be binding upon either Pledge District or upon any of its revenues or other assets which could reasonably be expected to result in a material adverse effect.

(d) The Pledge Districts have obtained all consents and approvals of, and have made all registrations and declarations with any governmental authority or regulatory body required for the execution, delivery, and performance by each Pledge District of this Pledge Agreement.

(e) There is no action, suit, inquiry, investigation, or proceeding to which either Pledge District is a party, at law or in equity, before or by any court, arbitrator, governmental or other board, body, or official which is pending or, to the best knowledge of each Pledge District threatened, in connection with any of the transactions contemplated by this Pledge Agreement nor, to the best knowledge of each Pledge District is there any basis therefor, wherein an unfavorable decision, ruling, or finding could reasonably be expected to have a material adverse effect on the validity or enforceability of, or the authority or ability of each Pledge District to perform its obligations under, this Pledge Agreement.

(f) This Pledge Agreement constitutes the legal, valid, and binding obligation of the Pledge Districts, enforceable against the Pledge Districts in accordance with its terms (except as such enforceability may be limited by bankruptcy, moratorium, or other similar laws affecting creditors' rights generally and provided that the application of equitable remedies is subject to the application of equitable principles).

## ARTICLE IV

### NON-COMPLIANCE AND REMEDIES

**Section 4.01. Events of Non-Compliance.** The occurrence or existence of any one or more of the following events shall be an "Event of Non-Compliance" hereunder, and there shall be no default or Event of Non-Compliance hereunder except as provided in this Section:

(a) a Pledge District fails or refuses to impose the Required Mill Levy or to remit the Pledge Agreement Revenues as required by the terms of this Pledge Agreement;

(b) any representation or warranty made by any party in this Pledge Agreement proves to have been untrue or incomplete in any material respect when made and which untruth or incompleteness would have a material adverse effect upon any other party;

(c) any party fails in the performance of any other of its covenants in this Pledge Agreement, and such failure continues for 30 days after written notice specifying such default and requiring the same to be remedied is given to any of the parties hereto; or

(d) (i) any party shall commence any case, proceeding, or other action (A) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or a bankrupt or seeking reorganization, arrangement, adjustment, winding up, liquidation, dissolution, composition, or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, or other similar official for itself or for any substantial part of its property, or any party shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any party any case, proceeding, or other action of a nature referred to in clause (i) and the same shall remain not dismissed within 90 days following the date of filing; or (iii) there shall be commenced against any party any case, proceeding, or other action seeking issuance of a warrant of attachment, execution, distraint, or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, or bonded pending appeal within 90 days from the entry thereof; or (iv) any party shall take action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) any party shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due.

**Section 4.02. Remedies for Events of Non-Compliance.** Upon the occurrence and continuance of an Event of Non-Compliance, any party may proceed to protect and enforce its rights against the party or parties causing the Event of Non-Compliance by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction, including an action for specific performance. In the event of any litigation or other proceeding to enforce any of the terms, covenants or conditions hereof, the prevailing party in such litigation or other proceeding shall obtain, as part of its judgment or award, its reasonable attorneys' fees and costs.

## ARTICLE V

### MISCELLANEOUS

**Section 5.01. Pledge of Revenue.** The creation, perfection, enforcement, and priority of the pledge of revenues to secure or pay the Payment Obligation shall be governed by Section 11-57-208 of the Supplemental Act and this Pledge Agreement. The Pledge Agreement Revenues shall immediately be subject to the lien of such pledge without any physical delivery, filing, or



further act. The lien of such pledge shall be valid, binding, and enforceable as against all persons having claims of any kind in tort, contract, or otherwise against any of the Pledge Districts irrespective of whether such persons have notice of such liens.

**Section 5.02. No Recourse against Officers and Agents.** Pursuant to Section 11-57-209 of the Supplemental Act, if a member of the Boards of Directors of either of the Pledge Districts, or any officer or agent of any of the Pledge Districts acts in good faith, no civil recourse shall be available against such member, officer, or agent for payment of the Payment Obligation. Such recourse shall not be available either directly or indirectly through the Board or the Pledge District, or otherwise, whether by virtue of any constitution, statute, rule of law, enforcement of penalty, or otherwise. By the acceptance of this Pledge Agreement and as a part of the consideration hereof, each of the Pledge Districts and the Trustee specifically waives any such recourse.

**Section 5.03. Conclusive Recital.** Pursuant to Section 11-57-210 of the Supplemental Act, this Pledge Agreement contains a recital that it is issued pursuant to certain provisions of the Supplemental Act, and such recital is conclusive evidence of the validity and the regularity of this Pledge Agreement after its delivery for value.

**Section 5.04. Limitation of Actions.** Pursuant to Section 11-57-212 of the Supplemental Act, no legal or equitable action brought with respect to any legislative acts or proceedings in connection with the authorization, execution, or delivery of this Pledge Agreement shall be commenced more than 30 days after the authorization of this Pledge Agreement.

**Section 5.05. Notices.** Except as otherwise provided herein, all notices or payments required to be given under this Pledge Agreement shall be in writing and shall be hand delivered or sent by certified mail, return receipt requested, or air freight, to the following addresses:

To the Authority: Colorado Springs Urban Renewal Authority

with a copy to: David Neville, Esq.

To the Pledge Districts: Canyon Creek Metropolitan District No. 2  
Canyon Creek Metropolitan District No. 3  
1619 South Tejon Street  
Colorado Springs, Colorado 80905  
Attn: Board of Directors

with a copy to: White Bear Ankele Tanaka & Waldron  
Attorneys at Law  
2154 East Commons, Suite 2000

Centennial, Colorado 80122  
Attention: Blair M. Dickhoner  
(303) 858-1800 (phone)  
(303) 858-1801 (fax)  
bdickhoner@wbapc.com

If to the Trustee:

UMB Bank, n.a.  
Corporate Trust and Escrow Services  
1670 Broadway  
Denver, Colorado 80202

All notices or documents delivered or required to be delivered under the provisions of this Pledge Agreement shall be deemed received one day after hand delivery or three days after mailing. Any District by written notice so provided may change the address to which future notices shall be sent.

**Section 5.06. Rights of Trustee.** Notwithstanding any other provision herein, at such time as no amounts remain due and owing under the Senior Indenture, all rights of the Trustee hereunder (including, but not limited to, the right to consent to any amendment hereto as a party hereof), shall terminate and be of no force or effect without further action by the parties hereto.

**Section 5.07. Miscellaneous.**

(a) This Pledge Agreement constitutes the final, complete, and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Pledge Agreement and supersedes all prior and contemporaneous understandings or agreements of the parties. This Pledge Agreement may not be contradicted by evidence of any prior or contemporaneous statements or agreements. No party has been induced to enter into this Pledge Agreement by, nor is any party relying on, any representation, understanding, agreement, commitment, or warranty outside those expressly set forth in this Pledge Agreement.

(b) If any term or provision of this Pledge Agreement is determined to be illegal, unenforceable, or invalid in whole or in part for any reason, such illegal, unenforceable, or invalid provisions or part thereof shall be stricken from this Pledge Agreement, and such provision shall not affect the legality, enforceability, or validity of the remainder of this Pledge Agreement. If any provision or part thereof of this Pledge Agreement is stricken in accordance with the provisions hereof, then such stricken provision shall be replaced, to the extent possible, with a legal, enforceable, and valid provision that is as similar in tenor to the stricken provision as is legally possible.

(c) The Bondholders are third party beneficiaries to this Pledge Agreement. It is intended that there be no third party beneficiaries of this Pledge Agreement other than the Bondholders. Nothing contained herein, expressed or implied, is intended to give to any person other than the Districts any claim, remedy, or right under or pursuant hereto, and any agreement, condition, covenant, or term contained herein required to be observed

or performed by or on behalf of any party hereto shall be for the sole and exclusive benefit of the other party.

(d) This Pledge Agreement may not be assigned or transferred by any party without the prior written consent of each of the other parties.

(e) This Pledge Agreement shall be governed by and construed under the applicable laws of the State.

(f) This Pledge Agreement may be amended or supplemented by the parties, but any such amendment or supplement must be in writing and must be executed by all parties and is subject to the limitations and requirements of the Senior Indenture.

(g) If the date for making any payment or the last day for performance of any act or the exercising of any right, as provided in this Pledge Agreement, shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city in which the principal office of the Trustee is located are authorized or required by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized or required by law to remain closed, with the same force and effect as if done on the nominal date provided in this Pledge Agreement.

(h) Each party has participated fully in the review and revision of this Pledge Agreement. Any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in interpreting this Pledge Agreement. The language in this Pledge Agreement shall be interpreted as to its fair meaning and not strictly for or against any party.

(i) This Pledge Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

(j) The Pledge Districts hereby consent to the terms of the 2018A Senior Bonds set forth in the Senior Indenture and the terms of the 2018B Subordinate Bonds set forth in the Subordinate Indenture.

**Section 5.08. Effective Date and Termination Date.** This Pledge Agreement shall become effective as of the date first written above and shall remain in effect until the Termination Date.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, the Authority, the Pledge Districts, and the Trustee have executed this Pledge Agreement as of the day and year first above written.

**CANYON CREEK METROPOLITAN  
DISTRICT NO. 2**

\_\_\_\_\_  
President

ATTESTED:

\_\_\_\_\_  
Secretary or Assistant Secretary

**CANYON CREEK METROPOLITAN  
DISTRICT NO. 3**

\_\_\_\_\_  
President

ATTESTED:

\_\_\_\_\_  
Secretary or Assistant Secretary

**[[ADD CSURA SIGNATURE BLOCK]]**

\_\_\_\_\_  
President

ATTESTED:

\_\_\_\_\_  
Secretary or Assistant Secretary

[Signature Page 1 of 2 to Capital Pledge Agreement]

[KR DRAFT 2/12/2018]

**UMB BANK, N.A., as Trustee**

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Authorized Signatory

[Signature Page 2 of 2 to Capital Pledge Agreement]

**EXHIBIT A**  
**TO**  
**CAPITAL PLEDGE AGREEMENT**  
**BALLOT QUESTIONS OF PLEDGE DISTRICTS**

**EXHIBIT B**  
**TO**  
**CAPITAL PLEDGE AGREEMENT**  
**PUBLIC IMPROVEMENTS**

The net proceeds of the 2018A Senior Bonds and the 2018B Subordinate Bonds will be applied, in part, to reimburse the Developer under the Developer Acquisition/Reimbursement Agreements for the costs of construction and financing of certain public improvements thereunder, specifically the public improvements certified in the engineering report from \_\_\_\_\_ dated as of \_\_\_\_\_ (the “Public Improvements”).