



October 24th, 2016

Allison Valley Metro District No. 1
c/o Mr. Michael G Ruebenson
Chief Operating Officer
LaPlata Communities
1755 Telestar Drive Suite 211
Colorado Springs, CO 80920

Term Sheet – Allison Valley Metropolitan District No. 1 Loan Request

Gentleman,

Attached is a revised "Term Sheet" for the Direct Purchase by Vectra Bank Colorado (the "Bank") of the private placement of Allison Valley Metro District No. 1 Loan.

This term sheet retains the primary structure, covenants and advance methodology included in the March Term Sheet. At that time, we had two primary conditions to closing the financing:

1. Sale of the Great Wolf parking parcel, Schedule No: 6200000664, to Great Wolf or its operating entity, and conversion of that parcel from Vacant Land to a non- agricultural designation not subject to present value discount by the El Paso County Assessor. We have seen the sale filed on the El Paso County web site, but have not yet confirmed the valuation conversion.
2. Sale of the multifamily parcel, Schedule No: 6220100017, to the multi-family developer, and the conversion of that parcel from Agricultural Grazing Land to a non- agricultural designation not subject to present value discount by the El Paso County Assessor. We understand that this sell is scheduled to occur to Continental Properties in November, and Continental will commence site work prior to yearend. Accordingly, it is our expectation the assessor will value the land as residential at approximately \$2,800,000. In March we had expected both Parcel 6220100017 and 6220100019 to be used in the multifamily development, and we had a sale price of \$5,378,166 Accordingly, I have reduced both the land value and the total number of apartment units from 522 to 280

Other changes that have been incorporated into our modeling and therefore the term sheet.

3. LaPlatta is under contract with Century Communities, a key Vectra CRE client, for the sale of parcel 6220100019, 8.12 acres, for the construction of 120 attached townhomes. Sale price is the greater of \$2,420,000 or \$22,000/unit on final plat, and is scheduled to close in May 2017.
4. Additional advances will be available as subsequent parcels are sold to end user developers and the status of the land is converted from Agricultural to a non- agricultural designation not subject to present value discount by the El Paso County Assessor. As with the March term sheet, advances under the facility are available for five years from the date of closing.
5. New construction will be eligible for advance upon issuance of a certificate of occupancy and based upon comparable value information provided by the El Paso County Assessor.
6. The Bank may, at its sole discretion, elect to make advances available at the commencement of construction when the bank is in receipt of information sufficient to underwrite the construction risk of the project. Such information would include, but not be limited to:
 - a. Adequate knowledge or financial disclosure by the developer or sponsor indicating capacity to complete the project.
 - b. Adequate disclosure of the basis terms and conditions of construction financing sufficient to complete the project from a National Bank with demonstrated construction lending expertise, and evidence that all equity, and pre-sale or preleasing requirements have been met.
 - c. Issuance of all permits, and other approvals necessary for construction
 - d. Commencement of actual construction.



Based upon Vectra's commercial relationship, we intend to underwrite Century Communities as a "Bank Approved Builder" using the definition from Allison Valley #2. I am also hopeful that we will achieve sufficient comfort with Continental to allow advances against individual apartment "buildings" as construction commences. Other builders, which are currently unidentified will be evaluated on a case by case basis, however, all construction will be included no later than issuance of a CO.

Please be advised that the attached "Term Sheet" remains subject to final credit approval and commitment by the Bank. As such, Vectra Bank Colorado shall not be liable to La Platta, Allison Valley Metro District #1, or to any third party, for damages or specific performance as a result of failure of the Bank to close the subject loan or failure of the borrowers to comply with these conditions precedent. The terms and conditions contained herein are confidential and may not be shown or disclosed by you except to those individuals, who have a need to know as a result of being involved in the proposed transaction. Upon receipt of an executed Term Sheet, we will begin the final credit approval process.

Sincerely,

A handwritten signature in black ink, appearing to read "CJF", written over the printed name "Conrad J. Freeman".

Conrad J. Freeman
Senior Vice President
Municipal Banking

TERM SHEET
Private Placement
Allison Valley Metropolitan District No. 1
Limited General Obligation
Qualified Tax Exempt and Taxable Loan;

(Subject to Final Credit Approval / Not A Commitment)

This Term Sheet shall serve as a guide for the general terms and structure for a Direct Purchase by Vectra Bank Colorado of a private placement of the Series 2016 Allison Valley Metropolitan District No. 1 Qualified Tax Exempt Limited General Obligation Loan, and a Series 2016 Allison Valley Metropolitan District No. 1 Taxable Loan convertible to a Qualified Tax Exempt Limited General Obligation Loan. The terms within this Term Sheet may be amended and adjusted going forward by agreement between the Parties as due diligence on the transaction is completed and new issues or concerns arise regarding covenants, structure, financial ratio levels, and Note mechanics, amortization, etc.

The terms and conditions herein remain subject to formal commitment and final negotiation of the financing documents which must be negotiated in conformance with state statute and the District Service Plan. Therefore, the Bank shall not be liable to LaPlatta, AVMD1 or any third party for damages or specific performance as a result of Bank's failure to close the transaction. The terms and conditions of this Term Sheet are confidential and may not be shown or disclosed by you except to those individuals who have a need to know as a result of being involved in the proposed transaction.

I. Parties

<u>Issuer:</u>	Allison Valley Metropolitan District No. 1 ("AVMD1").
<u>Purchaser:</u>	ZB, National Association, (ZB N.A.) dba Vectra Bank Colorado (the "Bank")
<u>Placement Agent:</u>	RBC Capital Markets, LLC
<u>Issuer Counsel:</u>	Butler Snow LLP
<u>Bank Counsel:</u>	Kutak Rock
<u>Paying Agent:</u>	Zions First National Bank Trust Department, Denver
<u>Bank Approved Builders</u>	The Bank will preapprove Builders that will be eligible for Construction Building Advances which shall include; Century Communities.

II. Series 2016 Notes

<u>A Note Amount:</u>	\$10,000,000
<u>B Note Amount:</u>	To be determined – currently estimated at \$7,000,000
<u>Purpose:</u>	Advances under the 2016 Notes will be available to the District for a period of three years following the respective closing dates but not to exceed December 1, 2021, to reimburse developer advances used for the completion of public improvements within the District. At expiration of the Draw Down Period of the A Note, the District may, subject to Bond Counsel Approval, transfer remaining availability to the B Note. At expiration of the Draw Down Period of the B Note, the District may fund the balance of the note availability to a Parity Note or into a custody account maintained with the Paying Agent, and subject to availability as described in Section III.
<u>Tax Status:</u>	At closing, the A Note will be a Qualified Tax Exempt Obligation as described Under Section 265(b) of the Code. It is anticipated that the 2016 B Note will be a

Qualified Tax Exempt Obligation when the first \$50,000 of non-origination expense funds have been advanced. Advances under B Note will be available for a period of three years following the date when the sum of non-origination expense advances equals or exceed \$50,000 to reimburse developer advances used for the completion of public improvements within the District. If, at the time the sum of the advances equal or exceed \$50,000, Bond Counsel cannot deliver an opinion that the B Note is a Qualified Tax Exempt obligation; the B Note will bear interest at the Taxable Rate.

Parity Debt: The Bank may, subject to credit approval, purchase additional series of Parity Notes issued by the District upon demonstration of substantial completion of the project, and assessed valuations in excess of the proformas included at underwriting. No other parity debt is permitted.

Subordinate Debt: The District may issue fully subordinate debt upon receipt by the Bank of an opinion from Bond Counsel, in form acceptable to Bank Counsel, that the debt a) will not impact the tax status of the Bank Loans, b) the debt is fully subordinate to the Bank's tax lien and cash flow priority, and c) is fully subordinate to any restructure of the Bank loan.

The Bank and District will negotiate a release of excess cash flow to the subordinated debt after certified assessed value is sufficient to generate ad valorem property tax and resulting specific ownership tax revenues that provide 1.0x coverage of maximum annual debt service, (MADs) and 1.25 x coverage of current debt service.

Maturity: 12/01/2046. Every Five years the bank shall refix the interest rate as described in Interest Rate below.

Amortization: The loan will pay interest semi-annually on the first day of June and December, commencing June 1st, 2017, and principal annually commencing on December 1st 2018.

Interest Rate: The Taxable Rate shall be equal to the sum of the Des Moines Federal Home Loan Bank Long-Term, Fixed-Rate Advances Five Year Bullet Rate, currently 1.75%, plus 325 basis points, resulting in a current rate of 5.00%.

Notes that are designated Qualified Tax Exempt Obligation as described Under Section 265(b) of the Code will accrue interest at the product of the Taxable Rate multiplied by 75%, currently 3.750%. The Tax Exempt and Taxable Rates will be recalculated at the Refix Date, December 1, 2021, and each five-year anniversary thereafter.

Additional advances shall be priced based upon the above formula at the time of advance to the Refix Date, at a spread equal to 325 basis points plus the next full year Federal Home Loan Bank Advance Rate, and adjusted for the appropriate tax treatment.

Option Reprice: On the Refix Date, December 1, 2021, and every five-year anniversary thereafter until the Loan is repaid in full, the Taxable Rate will refix at a rate equal to the Des Moines Federal Home Loan Bank Long-Term, Fixed-Rate Advances Five Year Bullet Rate plus 325 basis points. The Tax Exempt rate will be equal to 75% of the Taxable Rate.

(Five Year Federal Home Loan Bank Advance Rate (current at refix) + 325 basis points) X 75%

Default Interest Rate: Upon a material default of the 2016 Note that remains uncured for 30 days after receipt of notice of default, the 2016 Note, at the option of the Bank, shall accrue interest at a Default Rate, which shall not exceed a rate equal to the lesser of the Wall Street Journal Prime Rate plus 4.00%, or 16%. In no event shall the annual

and total repayment costs of the 2016 Note exceed the amount authorized by the District voters.

Commitment Fee: One percent (1.00%) of the initial principal amount of the 2016 Notes; payable on each note from first draw proceeds at closing.

Unused Facility Fee: An Unused Facility Fee equal to 20 basis points per annum on the undrawn amount of the Note shall be calculated quarterly commencing January 1st 2018 and collected semi-annually commencing June 1st, 2018. The Unused Facility Fee will continue to be due to the Bank semi-annually in arrears until fully drawn or availability is extinguished. Prior to the first day of each quarterly accrual period, AVMD1 may request the Bank to terminate any portion of the undrawn availability, and such extinguished availability shall no longer accrue the Unused Facility Fee.

Prepayment Fee: The Notes shall be subject to the following prepayment restrictions

- i. Commencing with closing of the Note, and upon each subsequent interest Refix Date; the Note shall not be prepaid prior to the second anniversary.
- ii. Commencing with the second anniversary through the third, a prepayment equal to 1.0% of the then outstanding principal amount of the Senior Note shall be charged.
- iii. Subsequent to the third anniversary the Note shall be fully pre-payable without penalty thereafter, until the next refix date.
- iv. All prepayments occurring by application of Excess Revenues shall occur without penalty or restriction.

Security for the Note: The 2016 Notes shall be secured by "Pledged Revenues" consisting of; (i) an irrevocable pledge of ad valorem property tax pledge (ii) assignment of all specific ownership tax received by AVMD1 as a result of the certification by the District of the debt service mill levy, (iii) any System Development Fees which may be assessed by the District (iv) all funds held in the Paying Agent account and (v) other balances or revenues including interest income of the Debt Service Fund.

Debt Service Coverage: Debt Service Coverage shall be calculated as: pledged revenue received divided by actual debt service.

III. Draw Availability

Conditions of Closing: Sale of the multifamily parcel, Schedule No: 6220100017, to Continental Properties, and the conversion of that parcel from Agricultural Grazing Land to a non- agricultural designation not subject to present value discount by the El Paso County Assessor.

Confirmation that parcel, Schedule No: 6200000664, sold to Great Wolf has been converted from Vacant Land to a non- agricultural designation to commercial valuation by El Paso County Assessor approximating the purchase price of \$1,174,160 effective not later than January 1st, 2017.

Closing Draw: Based upon the valuation of parcel No: 6220100017 (multifamily) of \$2,800,000 and parcel No: 6200000664 (Great Wolf) of \$1,174,157, the closing draw will be \$247,227 less closing costs of the Notes and capitalized interest will be available at closing.

Note Availability: Additional Draws under the A Note and B Note shall be available to AVMD1 based upon the following calculations of projected assessed valuation. Quarterly, the District and Bank shall calculate the projected assessed value of the Permit Ready Lots, buildings under construction that have been approved by the Bank, and completed buildings that have received a certificate of occupancy. Lot and building values shall be subject to revision based upon actual sales activity within AVMD1 and comparable data from other El Paso County assessor:

- Paper Platted Lots: No advance rate will be available for assessed valuation against platted lots that are not permit ready and have not been sold to the entity commencing construction.
- Permit Ready Lots: "Permit Ready" are platted lots for which; all necessary infrastructure has been completed and accepted by the City of Colorado Springs, have been sold to the final developers, are converted by the Assessor to non- agricultural commercial valuation, and no longer subject to present value discounting. Permit Ready lots shall be available for advance based upon the present value of projected property tax and special ownership tax at the full commercial valuation adjusted for a 1.50x coverage ratio at the mill levy cap.
- Construction Buildings: Buildings, for which construction has commenced, may be available for advance based upon the present value of projected property tax and special ownership tax at the full commercial or residential valuation as appropriate, adjusted for a 1.50x coverage ratio at the mill levy cap.
- Eligibility of Construction Buildings for advance will occur when construction commences by a Bank Approved Builder (Century Communities) or when sufficient information is provided to the Bank to include; subject to credit approval. All other construction shall be excluded from the Borrowing Base until the issuance of a Certificate of Occupancy. Required information would include;
- i. Adequate knowledge or financial disclosure by the developer or sponsor indicating capacity to complete the project.
 - ii. Adequate disclosure of the basis terms and conditions of construction financing sufficient to complete the project from a National Bank with demonstrated construction lending expertise, and evidence that all equity, and pre-sale or preleasing requirements have been met.
 - iii. Issuance of all permits, and other approvals necessary for construction
 - iv. Commencement of actual construction
- Constructed Buildings: Multifamily, residential or commercial buildings for which, a certificate of occupancy is issued will be available for advance based upon the present value of projected property tax and special ownership tax at the full commercial or residential valuation as appropriate, adjusted for a 1.25x coverage. Full valuation will be based upon guidance from the El Paso County Assessor.

IV. Flow of Funds:

- Flow of Funds: All pledged revenue shall be deposited directly by the El Paso County Treasurer into the Revenue Account maintained with the Paying Agent. Upon receipt by the Paying Agent, funds from the Debt Service Fund shall be applied as follows:
- i. To payment of Paying Agent fees.
 - ii. To payment of Non-Use Fees.
 - iii. To the payment of all past due interest, and principal, and any other collection or other fees due the Bank under the Loan Agreement.
 - iv. To the Payment of all current interest and principal.
 - v. To the prepayment of principal in increments of \$5,000 or greater beginning with the final principal payment due on 12/01/2046 and continuing forward in reverse chronological order.

V. Loan Covenants

The following representations, warranties and covenants shall be part of the agreement to be entered into by AVMD1 and the Bank with respect to the 2016 Loan (the "2016 Loan Agreement"). Other additional

covenants may be added or these may be adjusted going forward by agreement between the Parties as new issues or concerns arise regarding 2016 Loan covenants, structure, financial ratio levels, etc. 2016 Loan covenant compliance will be tested in the manner and at the times as set forth in the 2016 Loan Agreement.

Primary Reps, Warranties and Covenants:

- i. AVMD1 will execute all documentation necessary to convey to the Bank a security interest in all revenues pledged to the Development Agreement.
- ii. AVMD1 shall represent and warrant to the Bank, and provide an Opinion of Enforceability from the AVMD1 Counsel, that Allison Valley Metropolitan District Board has passed all required resolutions hypothecating the Secured Revenues, and that all such assignments are binding on AVMD1.
- iii. AVMD1 will not grant any lien or otherwise encumber the pledged revenues except debt which is fully subordinated to the Bank's lien and cash flow priority.
- iv. Annually, no later than December 15th, AVMD1 shall certify a mill levy sufficient to meet the scheduled debt service requirement of the subsequent year, subject to statutory limitation, and provide a copy of such together with a copy of the annual budget of AVMD1.
- v. Annually, AVMD1 shall provide the Bank with copies of its unqualified annual audit not later than 210 days following the end of each fiscal year. (The Bank at its discretion may waive the Audit requirement upon receipt of all fillings with the State of Colorado public district audit exception.)
- vi. Within 90 days of quarter-end, AVMD1 shall submit to the Bank internal financial statements including a statement of revenues and expenses including annual budget, and a schedule of assets and liabilities including the General Fund and all sub Funds.
- vii. AVMD1 shall continuously cooperate with the Bank and make a good faith effort to determine that all Pledged Revenues correctly allocated to the Debt Service Fund and subsequently paid to the Paying Agent.
- viii. AVMD1 will not cooperate with nor support the conversion of any real property within the District to tax exempt status except for the completion of required public improvements.
- ix. Other covenants considered standard for this type of transaction and industry to be negotiated in good faith between the Parties during the due diligence period and 2016 Note approval and documentation process.

VI. Events of Default

Events of Default customarily found in this type of loan to include, but not limited to:

- i. Failure of AVMD1 to pay the principal or interest on the Note when due or any other amount due and payable to the Bank under the Loan Agreement or the Financing Documents;
- ii. Any pledge or other security interest pledged as Security for the loan fails to be fully enforceable with the priority required hereunder;
- iii. Failure of AVMD1 to certify the annual mill levy of not less than 30 mills for debt service nor more than 10 mills for O&M, and certify an annual budget or comply with all State Law applicable to Special Districts.
- iv. Failure of AVMD1 to pay Pledged Revenues into the Debt Service Fund or cooperate with the Bank to verify same.

- v. Bankruptcy or similar issue of AVMD1 or any other entity that is party to the Financing Documents or agreements related to the Security for the proposed financing; and
- vi. Any other actions or in-actions by AVMD1 that would otherwise constitute a breach of the provisions of the Loan Agreement or the Financing Documents, including such actions or in-actions that, with the passage of time, would constitute a breach thereunder.

VII. Conditions Precedent:

Prior to final underwriting and the issuance of a commitment, AVMD1 shall provide to the Bank the following information:

- i. Sale of the multifamily parcel, Schedule No: 6220100017, to Continental Properties.
- ii. Evidence of the conversion of parcel 6220100017 from Agricultural Grazing Land to a non- agricultural designation not subject to present value discount by the El Paso County Assessor no later than January 1, 2017.
- iii. Sale of the Great Wolf parking parcel, Schedule No: 6200000664, to Great Wolf.
- iv. Evidence of the conversion of parcel 6200000664 from Agricultural Grazing Land to a non- agricultural designation not subject to present value discount by the El Paso County Assessor no later than January 1, 2017.
- v. Other financial and real estate disclosure reasonably required by the bank.

VIII. Other Provisions

Other Costs:

AVMD1 will reimburse the Bank, whether or not there is a closing of the 2016 Note financing transaction, for all out-of-pocket costs including, but not limited to, outside legal fees including but not limited to Bank Counsel fees, financial advisory fees; other consulting fees, and any other reasonable costs associated with the Bank's due diligence and underwriting of this transaction.

Waiver:

The 2016 Loan Agreement will contain, among other things, a provision to the effect that: except for harm arising from the Bank's willful misconduct, gross negligence or bad faith, and without waiving governmental immunity, AVMD1, to the extent allowed by law, indemnifies and agrees, to defend and hold the Bank harmless from any and all losses, costs, damages, claims and expenses of any kind suffered by or asserted against the Bank relating to claims by third parties as a result of, or arising out of, the negligence or other misconduct of AVMD1, or any claim made against AVMD1, in connection with the financing provided under the 2016 Loan Agreement and other 2016 Note financing documents. To the extent permitted by law, such indemnification and hold harmless provision will survive the termination of the 2016 Loan Agreement and financing documents and the satisfaction of AVMD1's obligations to the Bank thereunder.

Document Imaging:

The Bank shall be entitled, in its sole discretion, to image all or any selection of the instruments, other loan documents, items and records governing, arising from or relating to any of Borrower's loan or loans, and may destroy or archive the paper originals. The parties hereto waive any right to insist the Bank produce paper originals, agree that such images shall be accorded the same force and effect as the paper originals, and further agree that the Bank is entitled to use such images in lieu of destroyed or archived originals for any purpose, including as admissible evidence in any demand, presentment or proceedings.

Other Conditions:

Our (the Bank and AVMD1) respective obligations in connection with the 2016 Note shall be as set forth in a 2016 Loan Agreement and related financing documents.



The 2016 Loan Agreement shall contain provisions for warranties, representations, legal opinions and covenants of AVMD1 and closing conditions that are customary in similar transactions and are in form and substance satisfactory to the Bank in its sole discretion.

Interest & Fee Basis: All interest and fee calculations will be computed on an Actual/360-day year basis. All principal and interest shall be payable in immediately available funds.

IX. Term Sheet Acceptance

By signing below, we hereby accept the Terms and Conditions outlined within this Term Sheet, subject to normal adjustments agreed upon by both Parties.

By: 

Conrad J. Freeman
Senior Vice President,
Municipal Banking
Vectra Bank Colorado

Accepted and agreed to this _____ day of _____, 2016.

Allison Valley Metropolitan District No. 1

By: _____

Name: _____

Title: _____