

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 2,  
IN THE CITY OF COLORADO SPRINGS, COLORADO**

**2016 SERVICE PLAN AMENDMENT**

1. Introduction

This 2016 Service Plan Amendment (“Amendment”) amends the Amended and Restated Service Plan for Banning Lewis Ranch Metropolitan District Nos. 1, 2, 3, 4, 5 and 7 (the “Consolidated Service Plan”), a copy of which is filed and of record with the El Paso County District Court in Case No. 05CV3905. This Amendment is submitted by and applies solely to the Banning Lewis Ranch Metropolitan District No. 2 (the “District”). In all other respects, the Consolidated Service Plan is unchanged and remains in full force and effect.

2. Amendment

The sole purpose of this Amendment is to amend the Consolidated Service Plan to allow the District to levy an unlimited Maximum Debt Service Levy. The Consolidated Service Plan shall remain unchanged in all other respects, including but not limited to the District’s Maximum Operating Mill Levy for the payment of operating and maintenance expenses (20 mills) and the District’s Maximum Debt Mill Levy Imposition Term (40 years).

The Amendment requires only the amendment of Section VI.E.1. of the Consolidated Service Plan, and is provided as follows, with original language included in italics for context and the amended language indicated in bold and underline:

VI. FINANCIAL PLAN

\* \* \*

E. *Maximum Debt Mill Levy*

*The Maximum Debt Mill Levy shall be the maximum mill levy a District is permitted to impose upon the taxable property of the Districts for payment of Debt, and shall be determined as follows:*

*1. For the Residential Districts the Maximum Debt Mill Levy shall be calculated as follows:*

*(a) The Maximum Debt Mill Levy shall be 30 mills; provided that if, on or after January 1, 2008, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitation applicable to such Debt may be increased or*

*decreased to reflect such changes, such increases or decreases to be determined by the Board of the issuing District in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenue generated by the mill levy, as adjusted for changes occurring after January 1, 2008, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation shall be deemed to be a change in the method of calculating assessed valuation.*

*(b) At such time as the Debt to Actual Market Value Ratio within a Residential District is equal to or less than three percent (3%), the Board of that Residential District may request City Council approval for the right to pledge such mill levy as is necessary to pay the Debt service on such Debt, without limitation of rate. At the time of such request, a majority of the members of the Board must consist of homeowners owning property within the District. Once Debt has been determined to meet the above criterion, so that the District is entitled to pledge to its payment an unlimited ad valorem mill levy, such District may provide that such Debt shall remain secured by such unlimited mill levy, notwithstanding any subsequent change in such District's Debt to Actual Market Value Ratio.*

**(c) Notwithstanding the foregoing limitations in subsections (a) and (b), the Maximum Debt Mill Levy for District No. 2 shall be defined as an ad valorem mill levy imposed on all taxable property in District No. 2, without limitation of rate or with such limitations as may be determined by District No. 2's board of directors, and in amounts sufficient to produce such amount as may be necessary for the purpose of paying the principal of, premium if any, and interest on District No. 2's debt.**

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### 3. Rationale

While the District's Debt to Actual Market Value Ratio, as defined in the Consolidated Service Plan, is not currently equal to or less than three percent, the Board of Directors of the District (the "Board") has determined it to be in the best interests of the District to amend the Consolidated Service Plan in order to allow the District to refinance its outstanding indebtedness ("Debt") to take advantage of current, favorable market conditions; to lower the overall interest rate applicable to the Debt; to lower the mill levy necessary to service the Debt; and to afford its residents and taxpayers the savings associated with these actions. The most advantageous refinancing model requires that the Maximum Debt Service Levy, as described in the Consolidated Service Plan and as applied only to the District, be amended to allow the District to pledge to the payment of the Debt, as refinanced, the promise that the District will certify a mill levy that is unlimited as to rate or amount.