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September 9, 2025

VIA E-MAIL

Kevin Walker
Director of Planning and Neighborhood Services
City of Colorado Springs
30 S. Nevada Avenue,
Colorado Springs, Colorado
Kevin.Walker@coloradosprings.gov

Re: Hancock Metropolitan District Nos. 1 & 2 – Service Plan Amendment

Dear Mr. Walker:

Our firm serves as general counsel to the Hancock Metropolitan District Nos. 1 & 2 (individually, “**District No. 1**” and “**District No. 2**” and together, the “**Districts**”).

On July 25, 2023, the City Council (the “**City Council**”) of the City of Colorado Springs (the “**City**”), County of El Paso, State of Colorado issued Resolution No. 97-23, approving the Amended and Restated Consolidated Service Plan (collectively, the “**Service Plan**”) for Hancock Metropolitan District Nos. 1 & 2.

The Districts are currently working towards a bond issuance in which District No. 1 will be the issuer of the debt and District No. 2 will pledge its debt service revenue to those bonds (the “**Bond Transaction**”). The Bond Transaction is currently anticipated to close on November 26, 2025. The Districts’ general counsel has reviewed the Service Plan as part of the Bond Transaction and identified a few provisions that appear to be incompatible with the intent of the Service Plan. We have described those sections below and enclosed proposed language revisions to address these inconsistencies.

Mill Levy Adjustments

Section V.G.1. of the Service Plan contemplates that the Districts’ maximum debt mill levy is subject to “adjustments, addressing any constitutionally mandated change in assessment ratios, tax credit, cut, or any abatement occurring after, but not before July 12, 2022.” In contrast, the Service Plan’s maximum operating mill levy is subject to the Mill Levy Adjustment, as defined in the Service Plan. The term, “Mill Levy Adjustment,” as defined in the Service Plan, allows for “[a]ny *statutory, legislative or constitutional* changes that adjust or impact that assessed or actual

valuation of property or the assessment ratio pursuant to which taxes are calculated.” (Emphasis added). Language similar to the Mill Levy Adjustment term was applicable to debt service levies in the previous model service plan, and it is our belief that it was an oversight to exclude it when the City put in place its current model service plan.

Absent this revision, the Districts’ bonds may be subject to higher interest rates to offset the revenue loss that is not captured due to any statutory and legislative changes to the assessed or actual valuation. The Districts propose to amend their Service Plan to impose the maximum debt mill levy subject to the Mill Levy Adjustment, as defined in the Service Plan.

Approval of Debt Issuance

Section V.A.12 of the Service Plan reads as though the City must review any proposed debt instruments to ensure compliance with the Service Plan and all applicable laws. After discussion with your team, we have determined that the intent of the Service Plan is to exempt the Districts from this requirement as they were previously authorized to issue debt without City Council’s approval under Section V.A.2. The Districts have enclosed proposed language that would amend their Service Plan to clearly reflect that intention.

Eligible Bondholders

Section V.F. of the Service Plan states as follows:

All District bonds or other debt instruments, if not rated as investment grade, must be issued in minimum denominations of \$100,000 and sold only to either accredited investors as defined in rule 501(a) promulgated under the Securities Act of 1933 or to the developer(s) of property within the District.

As currently written in the Service Plan, the Districts would not be permitted to issue bonds to financial institutions or institutional investors. This group of investors is typically more sophisticated than either “accredited investors” or “developers,” both of which are currently permitted investors under the Service Plan. We believe the intent of the Service Plan is to limit the bond investor pool to those that are fully acquainted with the risks of investing in metropolitan district bonds. However, as currently written, the Service Plan precludes investment by the group of investors that are most familiar with metropolitan district bonds and most likely to invest in the Bond Transaction. After discussion with your team, we have determined that the intent of the Service Plan is to comply with rule 501(a) promulgated under the Securities Act of 1933 and Title 32. As such, to address this issue the Districts propose to amend their Service Plan to state that the sale of debt to financial institutions or institutional investors defined under Title 32 is in accord with “accredited investors” as such term is used in the Service Plan.

Requested Service Plan Amendment

The Districts’ Service Plan and the City’s Special District Policy are silent as to the approval process for limited amendments to the Service Plan, such as those outlined in this letter.

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As such, the Districts have presented a narrowly drafted set of amendments to address these technical issues and request approval of the same.

Request for Inclusion of Property

District No. 1 has been approached by Challenger Communities, LLC (“**Challenger**”) with a request to include certain residential property within its boundaries (the “**Challenger Property**”). The Challenger Property is currently outside the District No. 1 Service Area, as defined in the Service Plan. Pursuant to Section V.A.9. of the Service Plan, because the Challenger Property is outside of the Service Area, District No. 1 must obtain prior written consent from City Council before allowing the Challenger Property to be included within its boundaries. Enclosed herein is a letter from Challenger Communities, LLC requesting the inclusion, a form petition for the inclusion, legal descriptions for the Districts, and a vicinity map of the property. District No. 1 requests that City Council provide its written consent to allow for inclusion of the Challenger Property into the boundaries of District No. 1. Allowing for the inclusion of the Challenger Property will improve the credit profile of the Bond Transaction and improve economies of scale within the Districts, leading to a more efficient financing of the public improvements needed to support this development.

Should you have any questions regarding our request or wish to discuss the request in further detail, please do not hesitate to contact us.

Sincerely,

WBA LOCAL GOVERNMENT LAW



Erin K. Stutz
Attorney

CC: Allison Stocker

Enclosures:

Amendments to Pages 10 and 13 to the Service Plan
Letter from Challenger Communities, LLC
Form Petition for Inclusion
Legal Descriptions for the Districts
Vicinity Map