

NEW ISSUE
BOOK-ENTRY ONLY

NOT RATED
BANK QUALIFIED

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing State of Colorado statutes, to the extent interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. For a more complete description of such opinions of Bond Counsel, see "TAX MATTERS" herein.

COLORADO SPRINGS URBAN RENEWAL AUTHORITY

**SUBORDINATE TAX INCREMENT REVENUE BONDS
(UNIVERSITY VILLAGE PROJECT REFUNDING), SERIES 2016B**

\$5,838,000* _____% Term Bonds due December 15, 2030

Price: _____ - Yield: _____ CUSIP No.†: _____

Dated: Date of Delivery

Due: December 1, 2030

The Colorado Springs Urban Renewal Authority Subordinate Limited Tax General Obligation Bonds, Series 2016B (the "Bonds") are issued as fully registered bonds in denominations of \$500,000 and integral multiples of \$1,000 in excess thereof pursuant to a Indenture of Trust dated as of _____, 2016 (the "Indenture") between the Authority and the UMB Bank, n.a., as trustee (the "Trustee"). The Bonds initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), securities depository for the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See "THE BONDS – Book-Entry Only System." The Bonds bear interest at the rate set forth above, payable on December 15 of each year, commencing December 15, 2016, to and including the maturity date shown above, unless the Bonds are redeemed earlier, by check or draft mailed to the registered owner of the Bonds, initially Cede & Co. The principal of, and premium, if any, on the Bonds will be payable upon presentation and surrender at the Trustee, which is also performing the functions of the paying agent for the Bonds. See "THE BONDS."

INVESTMENT IN THE BONDS INVOLVES A HIGH DEGREE OF RISK. THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE ISSUE. POTENTIAL INVESTORS SHOULD READ THIS ENTIRE LIMITED OFFERING MEMORANDUM TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION, AND SHOULD GIVE PARTICULAR ATTENTION TO THE SECTION ENTITLED "RISK FACTORS."

The Bonds are special and limited revenue obligations of the Authority, payable solely from the Trust Estate, which is pledged and assigned pursuant to the Indenture for the payment of the principal of and interest on the Bonds. The Bonds are subordinate obligations to the 2016 Senior Loan and 2016 Senior Swap described herein. The Bonds are not a general obligation of the Authority, are not payable from a pledge of the faith and credit of the Authority, and do not constitute a charge against the general credit of the Authority. The Authority has no taxing power. The Bonds do not constitute an obligation of the City of Colorado Springs, El Paso County or the State of Colorado. See "RISK FACTORS" and "SECURITY FOR THE BONDS."

The Bonds are secured by and payable from the Subordinate Pledged Revenue, consisting of the moneys derived by the Authority from the following sources, net of any costs of collection (all capitalized terms are defined herein): (i) the Incremental Tax Revenue in any Fiscal Year in excess of the Annual Senior Payment Cap; and (ii) any other legally available moneys which the Authority determines to credit to the Subordinate Bond Fund. See "SECURITY FOR THE BONDS," "AUTHORITY FINANCIAL INFORMATION."

Proceeds of the Bonds will be used to: (i) fund a portion of the cost of refunding the Authority's outstanding Tax Increment Revenue Bonds (University Village Colorado Project), Series 2008A Senior, and Colorado Springs Urban Renewal Authority Tax Increment Revenue Bonds (University Village Colorado Project), Series 2008B Subordinate (Convertible to Senior); and (ii) pay the costs of issuing the Bonds. See "USES OF PROCEEDS."

The Bonds are offered when, as, and if issued by the Authority and accepted by the Underwriter subject to the approval of legality of the Bonds by Kutak Rock LLP, Denver, Colorado, Bond Counsel, and the satisfaction of certain other conditions. Butler Snow LLP, Denver, Colorado, has acted as counsel to the Underwriter. Certain legal matters will be passed upon for the Authority by its general counsel, Kraemer Kendall Rupp Deen Neville LLC, Colorado Springs, Colorado. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about _____, 2016.*

[DAVIDSON LOGO]

This Limited Offering Memorandum is dated _____, 2016.

RED HERRING: This Preliminary Limited Offering Memorandum and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Limited Offering Memorandum is delivered in final form. Under no circumstances shall this Preliminary Limited Offering Memorandum constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

USE OF INFORMATION IN THIS LIMITED OFFERING MEMORANDUM

This Limited Offering Memorandum, which includes the cover page and the appendices, does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized to give any information or to make any representations other than those contained in this Limited Offering Memorandum in connection with the offering of the Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the Authority or the Underwriter.

The information set forth in this Limited Offering Memorandum has been obtained from the Authority, from the sources referenced throughout this Limited Offering Memorandum and from other sources believed to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of information received from parties other than the Authority. In accordance with its responsibilities under federal securities laws, the Underwriter has reviewed the information in this Limited Offering Memorandum but does not guarantee its accuracy or completeness. This Limited Offering Memorandum contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions, or that they will be realized.

The information, estimates, and expressions of opinion contained in this Limited Offering Memorandum are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, or in the information, estimates, or opinions set forth herein, since the date of this Limited Offering Memorandum.

The Bonds have not been registered with the Securities and Exchange Commission due to certain exemptions contained in the Securities Act of 1933, as amended. In making an investment decision, investors must rely on their own examination of the Authority, the Bonds and the terms of the offering, including the merits and risks involved. The Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the foregoing authorities have neither reviewed nor confirmed the accuracy of this document.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN ORDER TO FACILITATE DISTRIBUTION OF THE BONDS, THE UNDERWRITER MAY ENGAGE IN TRANSACTIONS INTENDED TO STABILIZE THE PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

COLORADO SPRINGS URBAN RENEWAL AUTHORITY

Board of Commissioners

Wynne Palermo, Chair
Tiffany Colvert, Vice Chair
Merv Bennet
Randy Case
Gary Feffer
Toby Gannett
Valerie Hunter
Jim Mason
Brian Olson
Jim Raughton
Peter Scoville
Robert Shonkwiler
Jack Wiepking

Trustee, Registrar and Paying Agent

UMB Bank, n.a.
Denver, Colorado

General Counsel

Kraemer Kendall Rupp Deen Neville LLC
Colorado Springs, Colorado

Bond Counsel

Kutak Rock LLP
Denver, Colorado

Underwriter

D.A. Davidson & Co.
Denver, Colorado

Underwriter's Counsel

Butler Snow LLP
Denver, Colorado

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LIMITED OFFERING MEMORANDUM

**COLORADO SPRINGS URBAN RENEWAL AUTHORITY
\$5,838,000*
SUBORDINATE TAX INCREMENT REVENUE BONDS
(UNIVERSITY VILLAGE PROJECT REFUNDING), SERIES 2016B**

INTRODUCTION

General

This Limited Offering Memorandum, which includes the cover page and the appendices, provides information in connection with the offer and sale by Colorado Springs Urban Renewal Authority (the “Authority”), a body corporate and politic of the State of Colorado (the “State”) of its Colorado Springs Urban Renewal Authority Subordinate Tax Increment Revenue Bonds (University Village Project Refunding), Series 2016B (the “Bonds”) issued pursuant to a Indenture of Trust (Subordinate) dated as of _____, 2016 (the “Indenture”), between the Authority and UMB Bank, n.a., Denver, Colorado (the “Trustee”). The Bonds will be issued pursuant to a resolution (the “Bond Resolution”) adopted by the Board of Commissioners of the Authority (the “Board”) prior to the issuance of the Bonds.

The Bonds will be issued simultaneously with the Authority entering into a loan (the “2016 Senior Loan”) with U.S. Bank National Association (the “Bank”) pursuant to a loan agreement between the Authority and the Bank (the “Senior Loan Agreement”) and a related interest rate swap agreement (the “2016 Senior Swap”) both of which constitute Senior Payment Obligations with a lien on the revenues pledged for repayment of the Bonds that is senior to that of the Bonds, subject to the Annual Senior Payment Cap, as described herein.

The offering of the Bonds is made only by way of this Limited Offering Memorandum, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. The following introductory material is only a brief description of and

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* Subject to change.

is qualified by the more complete information contained throughout this Limited Offering Memorandum. A full review should be made of the entire Limited Offering Memorandum and the documents summarized or described herein, particularly the section entitled “RISK FACTORS.” Detachment or other use of this “INTRODUCTION” without the entire Limited Offering Memorandum, including the cover page and appendices, is unauthorized. Undefined capitalized terms have the meanings given in the Indenture. See Appendix E – Form of the Indenture.

Issuer

The Colorado Springs Urban Renewal Authority was formed by the City Council (the “City Council”) of the City of Colorado Springs, Colorado (the “City”) on February 24, 1970, pursuant to the Colorado Urban Renewal Law, constituting Sections 31-25-101 et seq., Colorado Revised Statutes (the “Act”). On December 14, 2004, the City Council adopted the North Nevada Avenue Corridor Urban Renewal Plan (the “Urban Renewal Plan”), which established the North Nevada Avenue Corridor Urban Renewal Area (the “Urban Renewal Area”). The Urban Renewal Area consists of approximately 390 acres of property located in the northern portion of the City. The Urban Renewal Area consists primarily of a retail area including 654,339 square feet of total retail space, 617,690 square feet of which is presently occupied. Anchor retailers include Kohl’s, Costco, Lowe’s and Trader Joe’s. In addition, the Urban Renewal Area presently includes an automobile dealership, an apartment complex, and a hospital project that is presently under construction. See “THE AUTHORITY” and “THE URBAN RENEWAL AREA.”

Security

The Bonds, including the principal of and interest thereon, are special and limited revenue obligations of the Authority, payable solely from the Trust Estate, which is pledged and assigned pursuant to the Indenture for the payment of the principal of and interest on the Bonds. The Bonds are not general obligations of the Authority, are not payable from a pledge of the faith and credit of the Authority, and do not constitute a charge against the general credit of the Authority. The Authority has no taxing power. The Bonds do not constitute an obligation of the City, El Paso County (the “County”) or the State of Colorado (the “State”). See “RISK FACTORS” and “SECURITY FOR THE BONDS.”

The Trust Estate consists of the Subordinate Pledged Revenue, the Subordinate Bond Fund and all other moneys, securities, revenues, receipts, and funds from time to time held by the Trustee under the terms of the Indenture, other than the Costs of Issuance Fund. The “Subordinate Pledged Revenue” includes: (a) the Incremental Tax Revenue in any Fiscal Year in excess of the Annual Senior Payment Cap; and (b) any other legally available moneys which the Authority determines to credit to the Subordinate Bond Fund. The Annual Senior Payment Cap is the amount required to be paid with respect to the Senior Payment Obligations on a senior basis to the repayment of the Bonds. See “THE BONDS – Flow of Funds.”

The “Incremental Tax Revenue” means (a) Incremental Property Tax Revenue received in excess of the Authority’s Retained Operating Revenue of \$50,000 per Fiscal Year and (b) Incremental Sales Tax Revenue. “Incremental Property Tax Revenue” means Property

Tax Revenue in excess of an amount equal to the ad valorem property taxes produced by the levy at the rates fixed for such year by or for the governing bodies of the various taxing jurisdictions within or overlapping the Urban Renewal Area upon a valuation for assessment equal to the Property Tax Base Amount. “Incremental Sales Tax Revenue” means the Sales Tax Revenue in excess of the Sales Tax Base Amount; provided, however, that the aggregate Incremental Sales Tax Revenue (including those collected prior to the date of the Indenture) shall not exceed the Incremental Sales Tax Cap of \$98,800,000.

The Bonds are subordinate obligations to the Senior Payment Obligations, and if the Incremental Tax Revenue does not exceed the Annual Senior Payment Cap, then it is not anticipated that there will be Subordinate Pledged Revenue available to pay debt service on the Bonds.

The Bonds are not obligations of the City, the County or the State. See “SECURITY FOR THE BONDS” and “RISK FACTORS.”

Purpose

Proceeds of the Bonds will be used to: (i) fund a portion of the cost of refunding the Authority’s outstanding Tax Increment Revenue Bonds (University Village Colorado Project), Series 2008A Senior, and Colorado Springs Urban Renewal Authority Tax Increment Revenue Bonds (University Village Colorado Project), Series 2008B Subordinate (Convertible to Senior) (together, the “Refunded Bonds”); and (ii) pay the costs of issuing the Bonds. See “USES OF PROCEEDS.” The remainder of the cost of refunding the Refunded Bonds will come from proceeds of the 2016 Senior Loan.

The Bonds; Prior Redemption

The Bonds are issued solely as fully registered bonds in the denominations of \$500,000, or any integral multiple of \$1,000 in excess thereof. The Bonds mature and bear interest (calculated based on a 360-day year consisting of twelve 30-day months) as set forth on the cover page hereof. The payment of principal and interest on the Bonds is described in “THE BONDS – Payment of Principal and Interest; Record Date.”

The Bonds are subject to redemption prior to maturity at the option of the Authority, and are subject to mandatory sinking fund redemption as described in “THE BONDS – Prior Redemption.”

Authority for Issuance

The Bonds are issued in full conformity with the constitution and laws of the State of Colorado, particularly the Act and Title 11, Article 57, Part 2 (the “Supplemental Public Securities Act”), and pursuant to the Indenture.

Book-Entry Registration

The Bonds initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), the securities depository for

the Bonds. Purchases of the Bonds are to be made in book-entry form only. Purchasers will not receive certificates representing their beneficial ownership interest in the Bonds. See “THE BONDS – Book-Entry Only System.”

Tax Status

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing State of Colorado statutes, to the extent interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. For a more complete description of such opinions of Bond Counsel, see “TAX MATTERS” herein.

Professionals

Kutak Rock LLP, Denver, Colorado, has acted as Bond Counsel. Butler Snow LLP, Denver, Colorado, has acted as counsel to the Underwriter. Kraemer Kendall Rupp Deen Neville LLC, Colorado Springs, Colorado, represents the Authority as general counsel to the District. Dazzio & Associates, PC, Certified Public Accountants, Centennial, Colorado, have audited the Authority’s basic financial statement which are attached hereto as Appendix A. See “INDEPENDENT AUDITORS.” UMB Bank, n.a., Denver, Colorado will act as the trustee, paying agent and registrar for the Bonds (the “Trustee”) and will also act as escrow bank (the “Escrow Bank”). D.A. Davidson & Co., Denver, Colorado will act as the underwriter for the Bonds (the “Underwriter”). See “UNDERWRITING.” Butler Snow LLP, Denver, Colorado, has acted as counsel to the Underwriter. The fees of Kutak Rock LLP and Butler Snow LLP will be paid only from Bond proceeds at closing.

Continuing Disclosure Undertaking

Although the Underwriter has determined that the Bonds are exempt from the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, §240.15c2-12), the Authority and NN Retail Ventures have agreed, pursuant to the provisions of the Continuing Disclosure Agreement dated as of the date of delivery of the Bonds (the “Continuing Disclosure Undertaking”), to provide certain information to the Trustee on a quarterly basis for dissemination to each Beneficial Owner of the Bonds which has provided its name and address to the Trustee. The form of the Continuing Disclosure Undertaking is attached hereto as Appendix C.

Delivery Information

The Bonds are offered when, as, and if issued by the Authority and accepted by the Underwriter, subject to: prior sale, the approving legal opinion of Bond Counsel (the form of which is attached hereto as Appendix D), and certain other matters. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about _____, 2016.*

Additional Information

All references herein to the Bond Resolution, the Indenture and other documents are qualified in their entirety by reference to such documents. Additional information and copies of the documents referred to herein are available from:

The Authority:

Colorado Springs Urban Renewal Authority
30 South Nevada Avenue, Suite 502
Colorado Springs, Colorado 80903
Telephone (719) 385-5714

The Underwriter:

D.A. Davidson & Co.
1550 Market Street, Suite 300
Denver, Colorado 80202
Telephone: (303) 764-6000

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* Subject to change.

FORWARD-LOOKING STATEMENTS

This Limited Offering Memorandum, including but not limited to the Clifton Report attached as Appendix F, contains statements relating to future results that are “forward-looking statements.” When used in this Limited Offering Memorandum, the words “estimate,” “intend,” “expect,” “anticipate,” “plan,” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop the forward-looking statement will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between forward-looking statements and actual results, and those differences may be material. For a discussion of certain of such risks, see the following section, “RISK FACTORS.”

RISK FACTORS

Each prospective purchaser of the Bonds should consider carefully, along with other matters referred to herein, the following risks of investment. The ability of the Authority to meet the debt service requirements of the Bonds is subject to various risks and uncertainties which are discussed throughout this Limited Offering Memorandum. Certain of such investment considerations are set forth below. This section of this Limited Offering Memorandum does not purport to summarize all of the risks. Investors should read this Limited Offering Memorandum in its entirety.

The Bonds are offered only to financial institutions and institutional investors in minimum denominations of \$500,000, will not receive a credit rating from any source, and are not suitable investments for all investors. Each prospective purchaser is responsible for assessing the merits and risks of an investment in the Bonds and must be able to bear the economic risk of such investment in the Bonds. By purchasing the Bonds, each purchaser represents that it is a financial institution or an institutional investor with sufficient knowledge and experience in financial and business matters, including the purchase and ownership of tax-exempt obligations, to be able to evaluate the merits and risks of an investment in the Bonds.

Limited Security for the Bonds

The Bonds are special, limited obligations of the Authority and are payable solely from the Trust Estate established pursuant to the Indenture. See “SECURITY FOR THE BONDS.” The Bonds are not secured by an encumbrance or mortgage on any property of the Authority, the City or any other party. Therefore, the security for the punctual payment of the Bonds is dependent upon the generation of Subordinate Pledged Revenue in an amount sufficient to meet the debt service requirements.

The amount of Incremental Tax Revenues received by the Authority will depend primarily upon the successful development and operation of the retail property within the Urban Renewal Area. As shown in Appendix F, it is forecast that the Incremental Tax Revenues

generated within the Urban Renewal Area will be sufficient to pay debt service on the Bonds. **There is no guarantee, however, that this will occur. The Authority does not have the power to impose a sales tax, property tax, or any other type of tax, nor may the Authority or other persons compel any taxing jurisdiction to levy a sales tax or a property tax under the Act.**

Revenue Difficulties in the Urban Renewal Area

In connection with the issuance of the Refunded Bonds, Leland Consulting Group, Inc. prepared a forecast (the “2008 Leland Report”) anticipating a certain level of development within the Urban Renewal Area and Clifton Gunderson LLP prepared a forecast (the “2008 Clifton Report”) showing that, if development occurred as forecast in the Leland Report, the Authority would generate sufficient incremental tax revenues to repay the Refunded Bonds when due. Due to economic difficulties and other development factors, the incremental tax revenues within the Urban Renewal Area were lower than anticipated and the Authority was unable to make certain scheduled payments with respect to the Refunded Bonds.

At this time, the Authority anticipates that the assessed valuation of the property and the sales taxes collected within the Urban Renewal Area will generate Incremental Tax Revenue sufficient to repay the Bonds after making the payments required with respect to the Senior Payment Obligations. See Appendix F. **However, there can be no guarantee that the Authority will receive sufficient Subordinate Pledged Revenue to repay the Bonds and not experience a revenue shortfall similar to that experienced with respect to the Refunded Bonds.**

Subordinate Status of the Bonds

Pursuant to the Senior Custodial Agreement and the Indenture, no significant funds are expected to be available for the repayment of the Bonds unless all required amounts have been paid and deposited pursuant to the Senior Custodial Agreement with respect to the Senior Payment Obligations. If for any other reason the Pledged Revenue is insufficient to meet the requirements of the Senior Payment Obligations, there may be insufficient funds to make all, or any, payments on the Bonds.

Limited Duration of Incremental Tax Revenues; Discharge of Indenture on December 15, 2030

The Act limits the availability of the Incremental Tax Revenues to the Authority to 25 years from the effective date of the Urban Renewal Plan. See “THE PROJECT AND THE URBAN RENEWAL AREA - The Urban Renewal Plan.” The Urban Renewal Plan was adopted on December 14, 2004. Accordingly, the Authority will not be able to rely on the Incremental Tax Revenues as a revenue source after December 14, 2029. It is anticipated that the Bonds will be repaid prior to this date. However, if the Subordinate Pledged Revenue was to be insufficient to pay debt service on the Bonds in the future, the limited duration of the Incremental Tax Revenues could adversely affect the Authority’s ability to restructure or refinance the Bonds to try to respond to financial difficulties, or to pay any defaulted principal or interest in years past 2029 (including collection of property taxes levied in 2029 in 2030).

*In addition, the Indenture provides that in the event that any amount of principal of or interest on the Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor on December 15, 2030, the Bonds and the lien of the Indenture securing payment thereof shall be deemed discharged, the estate and rights hereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel and discharge the lien of the Indenture, and execute and deliver to the Authority such instruments in writing as shall be requisite to evidence the same. **Upon such discharge, the Bondholders will have no recourse to the Authority or any property of the Authority for the payment of any amount of principal of or interest on the Bonds remaining unpaid.***

Dependence Upon Sales Tax Base Amount and Property Tax Base Amount

Sales Tax Base Amount. The City is not obligated to pay any Sales Tax Revenue to the Authority until the amount of the Sales Tax Revenue exceeds the Sales Tax Base Amount. Accordingly, although Sales Taxes are payable to the City on a monthly basis, the City will retain all Sales Tax Revenue until the Sales Tax Base Amount of \$375,603.37 has been reached each year. Accordingly, the Authority does not expect to receive Sales Tax Revenue in the early months of each year and may not receive Sales Tax Revenue sufficient to generate sufficient Subordinate Pledged Revenue to repay the Bonds.

Property Tax Base Amount. Similarly, the County Treasurer is not obligated to pay any Property Tax Revenue to the Authority until the assessed valuation of the Urban Renewal Area exceeds the Property Tax Base Amount (currently \$5,184,610). This amount is subject to increase based upon the apportionment of increases in assessed valuation of the property within the Urban Renewal Area between the base amount and the incremental increase after the adoption of the Urban Renewal Plan. Increases in valuation resulting from general reassessments in accordance with Colorado law will result in an increase in the Property Tax Base Amount and, therefore, additional Property Tax Revenue being allocated to taxing entities other than the Authority.

Risks Related to the Incremental Sales Tax Revenues

Reliance Upon Three Primary Retailers. The collection of Incremental Sales Tax Revenue is subject to the ability of the owners or tenants of the businesses in the Urban Renewal Area to continue to operate retail businesses. The Urban Renewal Area contains three large retailers (Costco, Lowe's and Kohl's) which together comprise over 60% of the total square feet of retail space in the Urban Renewal Area. As a result, an approximately corresponding amount of the Incremental Sales Tax Revenues can be expected to be generated by these three retailers. Should these or other retail businesses located within this area close or have inadequate sales, Incremental Sales Tax Revenues could be materially negatively impacted. No representation can be made about the financial condition of Costco, Lowe's, Kohl's, or any other commercial businesses which may be located within the Urban Renewal Area, or the ability of the owners or tenants of these or other businesses to maintain them as viable concerns.

Collections Subject to Fluctuation. Sales Tax collections are subject to fluctuations in spending which determine the amount of Sales Taxes collected. This causes Sales Tax collections to increase along with the increasing prices brought about by inflation, but also

causes such revenues to be vulnerable to adverse economic conditions and reduced spending. Consequently, the amount of Incremental Sales Tax Revenues may be expected to correspond generally to economic cycles.

Transactions Exempt from Sales Tax. The City Code provides that certain sales are exempt from the City Sales Tax. See “Security for the Bonds – Incremental Sales Tax Revenues.” Certain sales by Costco, Lowe’s and Kohl’s, in addition to other stores which may locate in the Shopping Center, may be exempt from the City Sales Tax. In addition, Trader Joe’s operates within the Urban Renewal Area and it is possible that additional food stores may be located in the Urban Renewal Area. Food is not subject to the City Sales Tax.

Sales Tax Maximum Sharing Amount. The Cooperation Agreement between the City and the Authority states that the amount of Sales Tax revenue shared with the Authority cannot exceed \$98,800,000. Based upon the projected sales within the Urban Renewal Area, the Clifton Report shows that a total of \$[_____] of Incremental Sales Tax Revenues are projected to be received through 2029, which is within the Sales Tax cap. If sales exceed these projections, however, it is possible that the cap could be reached sooner than 2029.

Risk of Reduction in the Sales Tax Rate. The City is not prohibited from reducing the Sales Tax rate, and the Cooperation Agreement between the City and the Authority specifically provides that the portion of the Sales Tax which is allocated to the Authority will be proportionately adjusted if a change in the Sales Tax rate occurs. The Authority is aware of no plans by the City, however, to reduce the rate of the Sales Tax.

Risks Related to the Pledged Property Tax Revenues

Concentration of Property Taxpayers. The collection of Incremental Property Tax Revenue may be subject to the ability or inability of property owners in the Urban Renewal Area to pay property taxes as they become due. Presently a small number of property owners generates a majority of the Incremental Property Tax Revenue. Over 80 percent of the incremental assessed valuation allocable to the Urban Renewal Area is owned by ten taxpayers. See “SECURITY FOR THE BONDS – Incremental Property Tax Revenue.” If any one or more of these property owners were to experience a significant decrease in valuation, the total Incremental Property Tax Revenue available to the Authority could be diminished significantly.

Importance of School District to the Property Tax Revenues. Five entities which impose a mill levy currently overlap the Urban Renewal Area. The combined total mill levy of these five entities for mill levy year 2015 (collection year 2016) was 57.749 mills. Of this total, Colorado Springs School District No. 11 (the “School District”) levied 40.803 mills, constituting approximately 70.7% of the total mill levy. Because such a large percentage of the Incremental Property Tax Revenue is derived from a single taxing entity, any substantial decrease in its mill levy could have a material negative impact on the Incremental Property Tax Revenue received by the Authority to pay the Bonds. The School District currently has no unissued electoral bond authorization outstanding; accordingly, the issuance of future additional bonds by the School District (which could result in an increase in the School District’s mill levy) would require additional voter approval.

Mill levies imposed by Colorado school districts are subject to various constitutional and statutory requirements. From time to time, the State legislature has proposed changing the way in which school districts are financed in Colorado. While there is no current proposal to reduce school districts' reliance on property taxes as a revenue source, any such proposal which might be adopted in the future could have a material negative impact on the Incremental Property Tax Revenues. No assurance can be given that the mill levy of the School District, or any other overlapping taxing entity, will not be lowered in the future for any of a number of reasons, including limitations imposed by TABOR. See the table "Historical Mill Levy Applicable to the Urban Renewal Area" in "SECURITY FOR THE BONDS – Incremental Property Tax Revenues" and "LEGAL MATTERS – Certain Constitutional Limitations."

Valuation and Uses of Property. The assessed value of property in the Authority for ad valorem property tax purposes is determined according to the statutory procedures described under "REVENUES AVAILABLE FOR DEBT SERVICE - Property Tax Increment Revenues." Assessed valuations may be affected by a number of factors beyond the control of the Authority. For example, property owners are allowed each year by State law to challenge the valuations of their property. Should the actions of property owners result in lower assessed valuations of property in the Urban Renewal Area, the security for the Bonds would be diminished. Further, property used for tax-exempt purposes is not currently subject to taxation. If any property becomes tax-exempt, the Property Tax Base Amount will be decreased accordingly. Regardless of the level at which property is assessed for tax purposes, the ability of each taxing entity to enforce and collect the property tax is dependent upon the property in the Urban Renewal Area having sufficient fair market value to support the taxes which are imposed. No assurance can be given as to the future market values of property in the Urban Renewal Area.

Collection. The Property Tax Revenues are based upon property taxes levied by the taxing entities overlapping the Urban Renewal Area and are collected at the same time and in the same manner as taxes paid to the other taxing entities. Taxes levied must be paid in full; taxpayers may not choose to pay portions of their tax bills. The collection of Property Tax Revenues will be subject to the ability or inability of property owners in the Urban Renewal Area to pay property taxes as they become due. The payment of property taxes does not constitute a personal obligation of each of the property owners within the Urban Renewal Area. Instead, the obligation to pay property taxes is tied to the properties taxed, and if timely payment is not made, the obligation constitutes a lien against the specific properties. To the extent payment of property taxes depends upon the financial stability of property owners in the Urban Renewal Area, no assurance can be given that timely payment will occur. The Authority has not undertaken any independent investigation of the financial condition of any property owners within the Urban Renewal Area, including NN Retail Ventures.

To enforce the property tax liens, the County Treasurer is obligated to foreclose on and cause the sale of tax liens upon the property that is subject to the delinquent taxes or fees, as provided by law. However, foreclosure is a time-consuming remedy which may extend more than one year. In addition, proceeds realized from a foreclosure sale, if any, may or may not be sufficient to cover the delinquent taxes or fees and there is no assurance that such tax liens will sell at such a sale. Holders of the Bonds cannot foreclose on property within the Urban Renewal Area or sell such property in order to pay the principal of or interest on their Bonds.

In addition, the sales of tax liens applicable to property in the Urban Renewal Area to enforce such liens could be delayed by bankruptcy laws and other laws affecting creditor's rights generally. During the pendency of any bankruptcy of any property owner in the Urban Renewal Area, the parcels in the Urban Renewal Area owned by such property owner could be sold only if the bankruptcy court approves the sale. There is no assurance that property taxes would be paid during the pendency of any bankruptcy; nor is it possible to predict the timeliness of such payment. If the property taxes are not paid over a period of years, the Authority's ability to pay principal and interest on the Bonds could be affected.

Reassessment. The Act requires that upon each general reassessment of taxable property in the County which includes the Urban Renewal Area, the portions of valuations for assessment of the Property Tax Base Amount and the property tax increment will be proportionately adjusted in accordance with such reassessment. It is possible that the reassessment could result in an increase in the Property Tax Base Amount in future years, which could result in a corresponding decrease in the property tax increment amount.

Changes May Occur in Tax Increment Financing, Property Tax Laws, or the Implementation of the Act

It is possible that legislation could be enacted in the State which would limit the availability of tax increment financing to entities such as the Authority, reduce or eliminate the property tax which taxing jurisdictions are permitted to impose, or limit the rates authorized to be imposed. Any one or more of such occurrences may have the effect of reducing the amount of Pledged Revenues available to pay the principal of and interest on the Bonds. The School District (which is the primary anticipated provider of Incremental Property Tax Revenue) and the City (which is the sole provider of Incremental Sales Tax Revenue) are subject to existing legal limitations with respect to revenues or expenditures, which may adversely affect the Subordinate Pledged Revenue. See "LEGAL MATTERS – Certain Constitutional Limitations" and "SECURITY FOR THE BONDS."

Legislation in 2015 and 2016. In 2015, the State enacted House Bill 15-1348, which amended the Act to modify the composition of the Board of Commissioners for urban renewal authorities such as the Authority and to require urban renewal authorities to agree with the various taxing entities within an urban renewal area regarding the allocation of incremental property tax revenues among the entities and the urban renewal authority. House Bill 15-1348 applies to urban renewal authorities or plans created on or after January 1, 2016, or certain urban renewal plan amendments or modifications occurring on or after January 1, 2016 or the extension of an urban renewal plan or the duration of an urban renewal project regardless of whether the extension of the plan or the duration of the project requires any alteration to the terms of the plan.

After House Bill 15-1348 was enacted, questions were raised as to the potential effects of the legislation on existing plans, such as the Urban Renewal Plan. In response to these concerns, the State enacted Senate Bill 16-177 in 2016 which specifically states that none of the provisions in House Bill 15-1348 relating to the allocation of incremental property tax revenues among taxing entities is intended to impair, jeopardize, or put at risk any existing bonds, investments, loans, contracts or financial obligations of an urban renewal authority outstanding

as of December 31, 2015, or the pledge of pledged revenues or assets to the payment thereof that occurred on or before December 31, 2015.

Potential Revisions to Assessors' Reference Library. The State Property Tax Administrator (the "Administrator") publishes the Assessors' Reference Library (the "ARL"), which provides guidance and instruction to the various county assessors within the state as to how to value property for taxation purposes and how to allocate valuation to various taxing entities. The ARL includes guidance to county assessors as to how to apply the provisions of the Act relating to incremental property tax revenues allocable to urban renewal authorities such as the Authority.

In 2015, the Administrator proposed certain modifications to the ARL which would have modified the calculation of "base" versus "incremental" property valuation in urban renewal areas. These modifications would have potentially shifted a significant portion of the valuation with certain urban renewal areas to the "base" portion of the assessed valuation within an urban renewal area and away from the "increment" portion. Such a shift would decrease the revenues available to repay obligations, such as the Bonds, which are secured by incremental property tax revenues. See "SECURITY FOR THE BONDS – Incremental Property Tax Revenue."

On January 13, 2016, the Administrator revised its proposed modifications and removed many of the changes that could have had a significant impact on the collection of Incremental Property Tax Revenue within the Urban Renewal Area. The El Paso County Assessor has advised the Authority that, while no official calculation has occurred to show the effect of the revised modifications on the Incremental Property Tax Revenue, it estimates that, if such revised modifications were implemented as proposed, the impact would be relatively small compared to the overall Incremental Property Tax Revenue and would likely result in a small increase to the Incremental Property Tax Revenue. On March 30, 2016, the Administrator withdrew such revised modifications from consideration and stopped the process of implementing them until further notice. **[TO BE UPDATED PENDING 7/28 DPT MEETING]**

If future changes are adopted with respect to the ARL or other legal authorities with respect to the allocation of assessed valuation or property tax revenue between the "base" and "increment" portions of urban renewal areas, such changes could materially decrease the Incremental Property Tax Revenue available to pay the Bonds. The Administrator could implement the original changes proposed, or could implement changes that decreased incremental tax revenues even further. The Authority has no ability to prevent the Administrator or the El Paso County Assessor from modifying the allocation of assessed valuation within the Urban Renewal Area in a manner that diminishes the Incremental Property Tax Revenue available to repay the Bonds.

Risks Related to the Projections

The Authority has retained CliftonLarsonAllen LLP, Certified Public Accountants, Denver, Colorado ("Clifton") to prepare a "Forecasted Surplus Cash Balances and Cash Receipts and Disbursements" report dated _____, 2016 (the "Clifton Report").

Clifton Report. The Clifton Report is attached hereto as Appendix F, and should be read in its entirety. In the Clifton Report, Clifton has used information regarding the businesses and property within the Urban Renewal Area estimate the Subordinate Pledged Revenue available each year that the Bonds are expected to be outstanding, and has compared such projections with the debt service on the Bonds. *The Clifton Report is based on key assumptions made regarding continuing operation of businesses with the Urban Renewal Area and, like any forecast, is inherently subject to variations in the assumed data. Actual results will vary from those projected, and such variations may be material. See “FORWARD-LOOKING STATEMENTS.”*

Competition with Other Areas

The businesses operating within the Urban Renewal Area compete with other, similar establishments within the City, County and State. There can be no guarantee that such competition will not cause the businesses within the Urban Renewal Area to perform at a level that is lower than currently expected. In addition, it is possible that retailers presently operating within the Urban Renewal Area could choose to relocate to a different, nearby location not located within the Urban Renewal Area, and in such case the retailers would no longer generate Incremental Sales Tax Revenue.

Legal Constraints on Authority Operations

The Authority is created by statute and exercises only limited powers. In addition, various Colorado laws and constitutional provisions govern the assessment and collection of general ad valorem property taxes, limit revenues and spending of the State and local governments and limit rates, fees and charges imposed by such entities, including the City, the School District and, in some cases, the Authority. There can be no assurance that the application of such provisions, or the adoption of new provisions, will not have a material adverse effect on the affairs of the Authority or the collection of Subordinate Pledged Revenue.

Limitations on Remedies

The enforceability of the rights and remedies of the owners of the Bonds and the obligations incurred by the Authority in issuing the Bonds are subject to the federal bankruptcy code, and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; the power of the federal government to impose liens in certain situations, which could result in a lien on the Subordinate Pledged Revenues which is superior to the lien thereon of the Bonds and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Future Changes in Law

Various State laws, constitutional provisions and federal laws and regulations apply to the obligations created by the issuance of the Bonds and various agreements described herein. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions which would have a material effect, directly or indirectly, on the affairs of the Authority.

Secondary Market; No Ratings

No assurance can be given concerning the future existence of a secondary market for the Bonds and prospective purchasers of the Bonds should therefore be prepared, if necessary, to hold the Bonds to maturity or prior redemption. No application has been or is intended to be made to any securities rating agency for a rating of the Bonds.

USES OF PROCEEDS

Sources and Uses of Funds

The proceeds of the Bonds are anticipated to be used as follows:

Sources and Uses of Funds

Sources:

Par amount of the Bonds.....

Total Sources.....

Uses:

Deposit to Escrow Account

Costs of issuance, underwriting discount (see
“UNDERWRITING”) and contingency

Total Uses.....

Source: The Underwriter.

The Refunding Project

The Authority will use a portion of the proceeds of the Bonds to refund the Refunded Bonds (the “Refunding Project”). The Authority will deposit a portion of the Bond proceeds and the cash on hand with the UMB bank, n.a. (the “Escrow Bank”) pursuant an Escrow Agreement. The amounts deposited with the Escrow Bank will be deposited into the Escrow Account created under the Escrow Agreement and invested in Federal Securities maturing at such times and in such amounts as required to provide funds sufficient to pay (i) the interest due on the Refunded Bonds, both accrued and not accrued, as the same become due on and after the date of delivery of the Bonds and on and before maturity or prior redemption on December 1, 2017, (the “Redemption Date”); and (ii) principal of the Refunded Bonds upon maturity or prior redemption on the Redemption Date.

Verification of Mathematical Computations. The accuracy of the mathematical computations of the adequacy of the maturing principal of and interest on the federal securities and cash deposited in the Escrow Account to provide for the payment of the principal, prior redemption premium and interest with respect to the Refunded Bonds when due or upon prior redemption will be verified by [____], certified public accountants, [____], Colorado.

THE BONDS

All descriptions of the Indenture set forth in this Limited Offering Memorandum are qualified in their entirety by reference to the text of the Indenture, the form of which is attached hereto as Appendix E and should be reviewed carefully by any potential investor in the Bonds.

Description

The Bonds will be issued in the principal amount, will be dated and will mature as indicated on the cover page of this Limited Offering Memorandum. For a complete statement of the details and conditions of the Bond issue, reference is made to the Indenture and the Bond Resolution, copies of which are available from the Authority prior to delivery of the Bonds. See “INTRODUCTION – Additional Information.”

Authorized Denominations of the Bonds

The Bonds are being issued in an “Authorized Denominations,” defined in the Indentures to mean initially, the amount of \$500,000 or any integral multiple of \$1,000 in excess thereof, provided that:

(a) no individual Bond may be in an amount which exceeds the principal amount coming due on any maturity date for such series;

(b) in the event a Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such Bond may be issued in the largest possible denomination of less than \$500,000, in integral multiples of not less than \$1,000 each or any integral multiple thereof.

Payment of Principal and Interest; Record Date

The principal of and premium, if any, on the Bonds are payable in lawful money of the United States of America to the Owner of each Bond upon maturity or prior redemption and presentation at the principal office of the Trustee. The interest on any Bond is payable to the person in whose name such Bond is registered, at his address as it appears on the registration books maintained by or on behalf of the Authority by the Trustee, at the close of business on the Record Date, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date; provided that any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Trustee whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Owners of the Bonds not less than ten (10) days prior to the Special Record Date by first-class mail to each such Owner as shown on the registration books kept by the Trustee on a date selected by the Trustee. Such notice shall state the date of the Special Record Date and the date fixed for the payment of such defaulted interest.

The Bonds shall be dated as of the date of issuance, and shall mature on the dates and in the aggregate principal amounts, and shall bear interest at the rates per annum, set forth in the Indenture, such interest to be calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Subordinate Pledged Revenue available therefor annually on each December 15, commencing on December 15, 2016.

Interest payments shall be paid by check or draft of the Trustee mailed on or before the interest payment date to the Owners. The Trustee may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the Owner of such Bond and the Trustee; provided that the Authority shall not be required to incur any expenses in connection with such alternative means of payment.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid, subject to the provisions of the Indenture. To the extent interest on any Bond is not paid when due, such interest shall compound annually on each Interest Payment Date, at the rate then borne by the Bond; provided however, that notwithstanding anything herein to the contrary, the Authority shall not be obligated to pay more than the amount permitted by law in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the Authority of such amount.

Redemption*

Optional Redemption. The Bonds are subject to redemption prior to maturity, at the option of the Authority, as a whole or in integral multiples of \$1,000, in any order of maturity, and in whole or partial maturities (and if in part in such order of maturities as the Authority shall determine and by lot within maturities), on December 15, 20__, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

Mandatory Redemption. The Bonds are subject to mandatory redemption in part by lot on December 15 of each year (each a “Mandatory Redemption Date”), commencing December 15, 2017, to the extent of moneys on deposit, if any, in the Subordinate Mandatory

C-17

D-17

E-17

F-17

* Subject to change.

Redemption Account of the Subordinate Bond Fund forty-five (45) days prior to the applicable Mandatory Redemption Date, and subject to any minimum requirements with respect to the principal amount of Bonds to be redeemed as set forth in the Indenture, at a redemption price (the “Mandatory Redemption Price”) equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date.

General Redemption Provisions. If less than all of the Bonds within a maturity are to be redeemed on any prior redemption date, the Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption, in such manner as the Trustee shall determine. The Bonds shall be redeemed only in integral multiples of \$1,000. In the event a Bond is of a denomination larger than \$1,000, a portion of such Bond may be redeemed, but only in the principal amount of \$1,000 or any integral multiple thereof. Such Bond shall be treated for the purpose of redemption as that number of Bonds which results from dividing the principal amount of such Bond by \$1,000. In the event a portion of any Bond is redeemed, the Trustee shall, without charge to the Owner of such Bond, authenticate and deliver a replacement Bond or Bonds for the unredeemed portion thereof.

Notice and Effect of Redemption. In the event any of the Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid), not less than thirty days prior to the date fixed for redemption, to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by or on behalf of the Authority by the Trustee. Failure to give such notice by mailing to any Owner, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Bonds as to which no such failure or defect exists. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice, and if funds for the redemption are not irrevocably deposited with the Trustee or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice shall be specifically subject to the deposit of funds by the Authority. All Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

Funds and Accounts

In the Indenture, there are created and established the following funds, which are to be established with and maintained by the Trustee pursuant to the provisions of the Indenture: (a) the Subordinate Bond Fund; and (b) the Costs of Issuance Fund.

Subordinate Bond Fund. Moneys in the Subordinate Bond Fund shall be used by the Trustee solely to pay the principal of, premium if any, and interest on the Bonds.

Subordinate Pledged Revenue required to be credited to the Subordinate Bond Fund in accordance with the Indenture shall be credited each Fiscal Year as received as follows:

(i) First, to the credit of the Subordinate Interest Account, the amount required for amounts on deposit therein to equal the interest payable on the Bonds in such Fiscal Year; and

(ii) Second, all Subordinate Pledged Revenue credited to the Subordinate Bond Fund for the remainder of the Fiscal Year shall be credited to the Subordinate Mandatory Redemption Account.

On each Interest Payment Date, the Trustee is to apply amounts on deposit in the Subordinate Interest Account to the payment of interest on the Bonds (including current interest, accrued but unpaid interest and unpaid compound interest, and including the accrued interest portion of any Mandatory Redemption Price) then due.

On the 45th day prior to each Mandatory Redemption Date, the Trustee shall determine the amounts on deposit in the Subordinate Mandatory Redemption Account available for application to redemption of the Bonds in accordance with the Indenture. The Trustee shall provide notice of the mandatory redemption to occur on each Mandatory Redemption Date as a result of amounts credited to the Subordinate Mandatory Redemption Account, as provided in the Indenture.

On each Mandatory Redemption Date, the Trustee is to apply amounts on deposit in the Subordinate Mandatory Redemption Account to the payment of the principal portion of any Mandatory Redemption Price.

Costs of Issuance Fund. All moneys on deposit in the Cost of Issuance Fund shall be applied by the Trustee at the direction of the Authority for the payment of costs in connection with expenses incurred in connection with the issuance of the Bonds, including, without limitation, printing costs, regulatory fees, the fees and expenses of bond counsel, general counsel, bank counsel, placement agent's counsel and other counsel, the fees and expenses of the Authority's accountant, manager, special consultants, and other professionals, the costs of the Trustee, and other costs and expenses of the Authority relating to the issuance of the Bonds, all as set forth in the Closing Memo attached to the Senior Custodial Agreement.

Flow of Funds

Senior Payment Obligations.

The flow of funds for the Incremental Tax Revenue is set forth in the Senior Custodial Agreement and the Senior Loan Agreement. Such revenue is a component of the "Senior Pledged Revenue" which is pledged to the Senior Payment Obligations, together with other sources of revenue that are *not* pledged to the Bonds. *The payments described below for the Senior Payment Obligations are senior to the Bonds, and no Subordinate Pledged Revenue is expected to be available until the required payments below with respect to the Senior Payment Obligations are made.*

The Authority shall transfer all amounts comprising Senior Pledged Revenue to the Custodian as soon as may be practicable after the receipt thereof. Thereafter, the Custodian shall deposit all Senior Pledged Revenue received from the Authority in the Senior Pledged Revenue Fund, to be disbursed prior to each Payment Date in the following order of priority.

FIRST: To the credit of the Senior Payment Fund, the annual amounts estimated by the Bank for Senior Payment Obligations for the then-current Fiscal Year other than prepayment of principal;

SECOND: To the credit of the Senior Reserve Fund, the amount, if any, necessary for the amounts therein to equal the Senior Reserve Fund Requirement;

THIRD: To the credit of the Senior Payment Fund, the annual amounts estimated by the Bank for prepayment of principal pursuant to Loan Agreement for the then-current Fiscal Year other than prepayment of principal; and

FOURTH: After the payments and accumulations set forth above shall equal the Annual Senior Payment Cap for such Fiscal Year, any remaining Senior Pledged Revenue shall cease to be Senior Pledged Revenue and shall thereafter be Subordinate Pledged Revenue and applied by the Custodian, in its capacity as trustee for the Bonds, as provided in the Indenture.

The “Annual Senior Payment Cap” means, with respect to each of the Fiscal Years set forth below, the corresponding amount set forth below:

<u>Fiscal Year</u>	<u>Annual Senior Payment Cap</u>
2016	\$4,600,000
2017	4,650,000
2018	4,700,000
2019	4,750,000
2020	4,800,000
2021	4,850,000
2022	4,900,000
2023	4,950,000
2024	5,000,000
2025	5,050,000
2026	5,100,000
2027	5,150,000
2028	5,200,000
2029	5,600,000
2030	6,500,000

Unless the Senior Pledged Revenue exceeds the Annual Senior Payment Cap in any Fiscal Year, there will not be funds available as Subordinate Pledged Revenue for the repayment of the Bonds.

Indenture. The flow of funds for the Subordinate Pledged Revenue as described in FOURTH above and provided by the Indenture is as follows:

FIRST: To the credit of the Subordinate Bond Fund and any other fund or account created for the payment of the principal of, premium if any, and interest on Parity

Bonds, including any sinking fund, reserve fund, surplus fund or similar fund or account established therefor, pro rata in accordance with the then outstanding principal amounts of the Bonds and any Parity Bonds, all Subordinate Pledged Revenue received until the funding of all amounts to become due and payable on the Bonds and the Parity Bonds through maturity; and

SECOND: To the Authority, for credit to any other fund or account as may be designated by the Authority in writing to the Trustee, to be used for any lawful purpose, including without limitation the payment of any Junior Lien Obligations, any Subordinate Pledged Revenue received for the remainder of the Fiscal Year after the payments and accumulations set forth above.

Discharge of the Indenture on December 15, 2030

Notwithstanding any other provision in the Indenture, in the event that any amount of principal of or interest on the Bonds remains unpaid after the application of all Subordinate Pledged Revenue available therefor on December 15, 2030, the Bonds and the lien of the Indenture securing payment thereof shall be deemed discharged, the estate and rights thereby granted shall cease, terminate, and be void, and thereupon the Trustee shall cancel and discharge the lien of the Indenture, and execute and deliver to the Authority such instruments in writing as shall be requisite to evidence the same. Upon such discharge, the Bondholders will have no recourse to the Authority or any property of the Authority for the payment of any amount of principal of or interest on the Bonds remaining unpaid.

Covenants of the Authority

Any Additional Obligations secured by a lien on ad valorem property taxes of the Authority shall be issued as Parity Bonds, Senior Obligations or Junior Lien Obligations. The 2016 Senior Loan, as evidenced, by the 2016 Senior Note, the UCCS Junior Lien Loan Agreement, the Developer Junior Lien Note and the City Junior Lien MOU are permitted, notwithstanding any provision of the Indenture. The Authority shall not issue or incur any other Additional Obligations unless the provisions of this section and any consent or approval requirements of the 2016 Senior Loan Agreement for such issuance or incurrence shall have been met.

The Authority may issue or incur Additional Obligations constituting Parity Bonds, Senior Obligations or Junior Lien Obligations if such issuance is consented to by each person who is the Owner of a Bond or, if such Bond is held in the name of Cede & Co., the Participant (as determined by a list provided by DTC) with respect to such Bond, or if so designated in writing by a Participant, the Beneficial Owner of such Bond (the "Consent Parties") with respect to 100% in aggregate principal amount of the Bonds then Outstanding.

The Authority may issue Additional Obligations constituting Senior Obligations, provided that, unless consented to by the Consent Parties with respect to 100% in aggregate principal amount of the Bonds then Outstanding pursuant to the preceding paragraph, the following conditions are satisfied:

(i) such Senior Obligations are issued solely for the purpose of refunding all or any portion of the 2016 Senior Loan, and the issuance of such refunding Senior

Obligations causes the Authority's scheduled debt service on Senior Obligations to decrease in each year from that which appertained with respect to Senior Obligations prior to the issuance of such refunding Senior Obligations (excluding from such calculation any amount on deposit in a reserve fund anticipated to be available for payment of debt service at final maturity, as reasonably determined by the Board in good faith, such determination to be binding and final). For purposes of the foregoing: (A) debt service on the 2016 Senior Loan in each year following the current scheduled final maturity of the 2016 Senior Loan shall be assumed to be equal to the Annual Senior Payment Cap for such year; and (B) the following shall be deemed to increase the Authority's Senior Obligations debt service in any year and shall not be permitted by this clause (i): (1) the issuance of refunding Senior Obligations which have any scheduled payment dates in any year which is after the maturity of the Senior Obligations being refunded, and (2) the issuance of refunding Senior Obligations that refund only Bonds or Parity Bonds; and

(ii) all payment obligations with respect to such Senior Obligations in any Fiscal Year shall be limited to the Annual Senior Payment Cap for such Fiscal Year;

(iii) the Senior Obligation Reserve Fund, if any, securing such Senior Obligations shall not be required to be funded in excess of the 2016 Senior Reserve Fund Requirement;

(iv) the remedies for failures to comply with such Senior Obligations are substantially the same as the remedies applicable to the 2016 Senior Loan.

The Authority may issue Additional Obligations constituting Junior Lien Obligations and the terms of such Junior Lien Obligations shall be as provided in the documents pursuant to which they are issued, provided that, unless consented to by the Consent Parties with respect to 100% in aggregate principal amount of the Bonds then Outstanding, each of the following conditions shall apply to the Junior Lien Obligations:

(i) the failure to make a payment when due on the Junior Lien Obligations shall not constitute an event of default thereunder;

(ii) the Junior Lien Obligations shall be payable as to both principal and interest only on an annual basis, on or after December 15 of each calendar year, and only after the payment of the full amount of Senior Payment Obligations due in such year and all of the scheduled principal and interest due on the Bonds in such year; and

(iii) no payment shall be made with respect to the Junior Lien Obligations unless the Authority shall at that time be current with respect to all Senior Payment Obligations and all scheduled principal and interest with respect to the Bonds.

A written certificate by an Authority Representative that the conditions set forth herein are met shall conclusively determine the right of the Authority to authorize, issue, sell, and deliver Additional Obligations in accordance with the Indenture.

Nothing in the Indenture affects or restricts the right of the Authority to issue or incur obligations which are not Additional Obligations thereunder.

Additional Covenants and Agreements. The Authority further irrevocably covenants and agrees with each and every Owner that so long as any of the Bonds remain Outstanding:

The Authority will maintain its existence and shall not merge or otherwise alter its corporate structure in any manner or to any extent as might reduce the security provided for the payment of the Bonds, and will continue to operate and manage the Authority and its facilities in an efficient and economical manner in accordance with all applicable laws, rules, and regulations.

At least once a year the Authority will cause an audit to be performed of the records relating to its revenues and expenditures, and the Authority shall use its best commercially reasonable efforts to have such audit report completed no later than 210 days after the end of any calendar year. The foregoing covenant shall apply notwithstanding any state law audit exemptions that may exist. In addition, at least once a year in the time and manner provided by law, the Authority will cause a budget to be prepared and adopted. Copies of the budget and the audit will be filed and recorded in the places, time, and manner provided by law.

The Authority will carry general liability, employment practices liability, public officials liability, and such other forms of insurance coverage on insurable Authority property upon the terms and conditions as in the judgment of the Authority would ordinarily be carried by entities having similar properties of equal value, such insurance being in such amounts as will protect the Authority and its operations.

To the extent required by law, each Authority official or other person having custody of any Authority funds or responsible for the handling of such funds, shall be bonded or insured against theft or defalcation at all times.

Amendments or Supplements to the Indenture

Supplemental Indentures Not Requiring Consent. Subject to the provisions of the Indenture, the Authority and the Trustee may, without the consent of or notice to the Owners, enter into such indentures supplemental to the Indenture, which supplemental indentures shall thereafter form a part thereof, for any one or more of the following purposes:

(a) To cure any ambiguity, to cure, correct, or supplement any formal defect or omission or inconsistent provision contained in the Indenture, to make any provision necessary or desirable due to a change in law, to make any provisions with respect to matters arising under the Indenture, or to make any provisions for any other purpose if such provisions are necessary or desirable and do not in the opinion of Bond Counsel materially adversely affect the interests of the Owners of the Bonds;

(b) To subject to the Indenture additional revenues, properties, or collateral;

(c) To grant or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Owners or the Trustee; and

- (d) To qualify the Indenture under the Trust Indenture Act of 1939.

Supplemental Indentures Requiring Consent. Except for supplemental indentures delivered pursuant to the paragraphs above, and subject to the provisions of the Indenture, the Consent Parties with respect to not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the execution by the Authority and the Trustee of such indenture or indentures supplemental to the Indenture as shall be deemed necessary or desirable by the Authority for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided however, that without the consent of the Consent Parties with respect to all the Outstanding Bonds affected thereby, nothing shall permit, or be construed as permitting:

(i) a change in the terms of the maturity of any Outstanding Bond, in the principal amount of any Outstanding Bond, in the optional or mandatory redemption provisions applicable thereto, or the rate of interest thereon;

(ii) an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of or interest on the Bonds when due;

(iii) a privilege or priority of any Bond or any interest payment over any other Bond or interest payment; or

(iv) a reduction in the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners or Consent Parties is required for any such supplemental indenture.

Upon the execution of any supplemental indenture pursuant to the provisions of this Section, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under the Indenture of the Authority, the Trustee, and all Owners of Bonds then Outstanding shall thereafter be determined, exercised, and enforced, subject in all respects to such modifications and amendments.

If at any time the Authority shall request the Trustee to enter into such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to fees and expenses, cause notice of the proposed execution of such supplemental indenture to be given by mailing such notice by certified or registered first class mail to each Owner of a Bond to the address shown on the registration books of the Trustee, at least thirty (30) days prior to the proposed date of execution and delivery of any such supplemental indenture. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Owners. If, within sixty (60) days or such longer period as shall be prescribed by the Authority following the giving of such notice, the Consent Parties with respect to not less than the required percentage in aggregate principal amount of the Bonds then Outstanding at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the

operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Indenture a Contract

The Indenture provide that each shall constitute a contract among the Authority, the Trustee, and the Owners, and shall remain in full force and effect until the Bonds are no longer Outstanding thereunder.

Book-Entry Only System

The Bonds will be available only in book-entry form in the principal amount of \$500,000 and any integral multiples of \$1,000 in excess thereof. DTC will act as the initial securities depository for the Bonds. The ownership of one fully registered Bond for each series maturity, as set forth on the cover page of this Limited Offering Memorandum, in the aggregate principal amount of such maturity coming due thereon, will be registered in the name of Cede & Co., as nominee for DTC. See Appendix B – Book-Entry Only System.

SO LONG AS CEDE & CO, AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS LIMITED OFFERING MEMORANDUM TO THE REGISTERED OWNERS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

Neither the Authority nor the Trustee will have any responsibility or obligation to DTC’s Direct Participants or Indirect Participants (defined herein), or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, the Indirect Participants or the beneficial owners of the Bonds as further described in Appendix B to this Limited Offering Memorandum.

THE URBAN RENEWAL AREA

General Information

On December 14, 2004, the City Council adopted the North Nevada Avenue Corridor Urban Renewal Plan (the “Urban Renewal Plan”). The stated purpose of the Urban Renewal Plan is to reduce, eliminate and prevent the spread of blight within the North Nevada Corridor Urban Renewal Area (the “Urban Renewal Area”). The Urban Renewal Area is an approximately 390-acre area located along North Nevada Avenue in northern Colorado Springs, Colorado. The largest property owner within the Urban Renewal Area is the University of Colorado at Colorado Springs, a public university. Most of the property and operations of the university are exempt from taxation, and thus the university presence is not anticipated to generate significant Incremental Tax Revenue for the repayment of the Bonds.

University Village Colorado

The majority of the Incremental Tax Revenue that is anticipated to be generated within the Urban Renewal Area comes from the University Village Colorado retail area

(“University Village”). University Village was constructed after the adoption of the Urban Renewal Plan and thus it generates both incremental sales and property tax revenues to the Authority. University Village is operated by North Nevada Retail Ventures, LLC (“NN Retail Ventures”), a Colorado limited liability company. NN Retail Ventures owns and leases property to some retail tenants, and certain retailers own their own sites within University Village. Below is a description of the buildings within University Village and their tenants, owners and square footages as of March 1, 2016. *This information has been provided by NN Retail Ventures to the Authority and cannot be independently verified by the Authority. The retailers listed below have not participated in the preparation of this Limited Offering Memorandum and the Authority makes no representation regarding the ability of these retailers to continue operating within the Urban Renewal Area in the future.*

BUILDING “A” - 5102 N. Nevada Ave.	Square Feet	Lease Commencement Date	Lease Expiration Date
Chipotle	2,584	11/13/09	11/30/19
Seven Status (formerly XS Threadz)	1,955	11/21/09	11/30/19
Go Wireless	1,919	02/06/10	05/31/20
The Chiropractic TRUHEALTHDR	1,921	11/14/12	11/30/22
Which Wich	1,724	03/13/12	03/31/17
Vacant	1,437		
Bonefish Grill	4,527	06/25/12	06/30/22
TOTAL BUILDING “A”	16,067		

BUILDING “B” - 5166 N. Nevada Ave.	Square Feet	Lease Commencement Date	Lease Expiration Date
Noodles	2,535	12/11/09	12/31/19
T-Mobile	1,534	12/03/10	12/31/20
Supercuts	1,460	03/05/12	03/31/17
Rocket Fizz Soda and Candy	1,881	11/01/14	10/31/19
Keva Juice	1,320	05/01/10	04/30/17
Glacier Ice Cream/Gelato (Tenant F/G)	2,167	07/01/10	06/30/17
TOTAL BUILDING “B”	10,897		

BUILDING “C” - 5230 N. Nevada Ave.	Square Feet	Lease Commencement Date	Lease Expiration Date
Smashburger	1,800	11/01/09	10/31/19
Locals Barbershop	1,381	02/06/10	03/31/20
Interstate Battery	1,618	12/14/12	03/31/18
Colorado Rockies	1,532	11/22/13	11/30/18
Panera Bread	5,582	11/01/09	10/31/19
TOTAL BUILDING “C”	11,913		

BUILDING "D" - 5262 N. Nevada Ave	Square Feet	Lease Commencement Date	Lease Expiration Date
Colorado Running Company	2,984	06/01/14	05/31/19
Postal Annex	1,270	04/28/14	04/30/19
Pure Barre	1,531	12/03/14	12/31/19
Massage Green	1,930	04/14/14	06/30/19
Over Easy	3,201	04/14/14	04/30/24
TOTAL BUILDING "D"	10,916		

BUILDING "E" - 5214 N. Nevada Ave	Square Feet	Lease Commencement Date	Lease Expiration Date
America's Retirement Store	4,065	06/25/13	06/30/18
Venice Olive Oil	1,104	03/21/15	03/31/20
Il Vicino	2,702	06/01/12	05/31/17
TOTAL BUILDING "E"	7,871		

BUILDING "F" - 5198 N. Nevada Ave.	Square Feet	Lease Commencement Date	Lease Expiration Date
Pacific Dental	3,003	03/01/10	02/28/20
Land Home Financial Services	1,503	06/01/15	05/31/20
Cowboy Star	6,100	03/18/15	03/31/25
TOTAL BUILDING "F"	10,606		

BUILDING "G" - 5182 N. Nevada Ave.	Square Feet	Lease Commencement Date	Lease Expiration Date
Johannes Hunter Jewelers	2,758	12/01/11	11/30/16
Kineo Fit	2,783	10/01/13	09/30/18
Veda Salon	5,167	12/07/09	12/31/19
TOTAL BUILDING "G"	10,708		

BUILDING "H" - 5134 N. Nevada Ave	Square Feet	Lease Commencement Date	Lease Expiration Date
Tan Your Hide	2,611	02/01/10	01/31/20
The Mutual Fund Store	909	01/20/11	01/31/20
Aspen Kitchens	2,188	10/20/10	10/31/20
Low-T Center	2,208	04/15/13	04/30/23
TOTAL BUILDING "H"	7,916		

BUILDING "I" - 5278	Square Feet	Lease Commencement Date	Lease Expiration Date
AT&T	2,944	07/29/15	07/31/20
Navy Federal Credit Union	3,464	3/16/16	07/31/21
Vacant	3,851		
Vacant	1,218		
Fab'rik Colorado Springs	1,792	11/05/15	11/30/20
Vacant	4,971		
TOTAL BUILDING "I"	18,240		

BUILDING "J" - 5310	Square Feet	Lease Commencement Date	Lease Expiration Date
Tenant "A"	5,017		
Tenant "B"	5,018		
Christy Sports	8,400	06/01/15	06/30/23
TOTAL BUILDING "J"	18,435		

BUILDING "K" - 5020 N. Nevada Ave	Square Feet	Lease Commencement Date	Lease Expiration Date
Petco	12,500	12/23/12	01/31/23
Wild Birds	1,506	09/11/13	09/30/18
Storage	494		
Famous Footwear	6,028	07/26/10	09/30/20
Comcast	4,862	03/01/12	02/28/17
MacSuperstore	4,886	10/01/12	09/30/22
TOTAL BUILDING "K"	30,276		

MAJOR LEASED RETAILERS	Square Feet	Lease Commencement Date	Lease Expiration Date
Kohl's	90,032	02/19/09	01/31/30
Trader Joe's	12,420	10/10/14	01/31/25
TOTAL MAJORS	102,452		

MINOR LEASED RETAILERS	Square Feet	Lease Commencement Date	Lease Expiration Date
Vacant	12,500		
Stein Mart	31,497	09/26/13	09/30/23
TOTAL MINORS	43,997		

LEASED PAD SITES	Square Feet	Lease Commencement Date	Lease Expiration Date
Starbucks	2,437	09/25/14	02/28/25
Remainder of Pad Site "A"	1,170		
Tokyo Joe's	2,400	07/11/13	07/31/23
Nothing Bundt Cakes	1,802	11/01/13	10/31/18
Pita Pit	1,103	01/23/14	01/30/19
BJ's Restaurant & Brewhouse - 5150 N Nevada	7,700	09/01/10	08/31/30
Hacienda Colorado - 5246 N Nevada	8,763	03/04/13	03/31/23
Vacant - Pad E 5118 N Nevada	2,410		
TOTAL PAD SITES	27,785		

OTHER PARTY OWNED PAD SITES		Square Feet
COSTCO - 5050 N. Nevada Ave.		157,148
LOWE’S (incl. garden center)-4880 N. Nevada Ave.		169,112
TOTAL OTHER PARTY OWNED PAD SITES		326,260

Total University Village Gross Leaseable Area	654,339
Total Occupied	617,690
Total Unoccupied	36,649

Automobile Dealership

The Urban Renewal Area additionally contains the Winslow BMW of Colorado Springs automobile dealership that is separate from University Village.

Apartment Complex

The Urban Renewal Area additionally includes a 156 unit apartment complex known as The Lodges of Colorado Springs (the “Apartment Complex”). The Apartment Complex is offered primarily as off-campus student housing and includes units ranging from one bedroom with 467 square feet to five-bedroom with 1,812 square feet.

Hospital under Construction

In 2015, construction began on a 22 bed hospital within the Urban Renewal Area, which is expected to be operated by Adeptus Health Inc. (“Adeptus”) and University of Colorado Health (“UC Health”). The hospital was approximately 45% completed as of January 1, 2016, and the construction to date was assigned a preliminary, unofficial assessed valuation of \$2,902,260. *This valuation is subject to protest and appeal and may not reflect the ultimate assessed valuation of the hospital property. The hospital’s final 2016 valuation will not generate any property tax revenue until 2017.*

Adeptus is a private company whose property is subject to ad valorem property taxation. UC Health is a government-operated health care provider. According to information provided to the El Paso County Assessor, it is currently anticipated that the hospital facility will be owned by Adeptus and therefore will be subject to property taxation except for any personal property owned by UC Health. *However, there can be no guarantee that the hospital, when completed, will not be transferred to UC Health or another tax-exempt provider and therefore it is possible that the hospital will not generate any significant Incremental Property Tax Revenue which could be used to repay the Bonds.*

SECURITY FOR THE BONDS

Special Obligations

The Bonds are special and limited revenue obligations of the Authority, payable solely from the Trust Estate, which is pledged and assigned pursuant to the Indenture for the payment of the principal of, premium, if any, and interest on the Bonds as and to the extent

provided in the Indenture. Neither the Bonds nor the interest thereon constitute a general obligation debt or indebtedness of the City, the Authority, the State, or any political subdivision thereof within the meaning of any provision or limitation of the constitution or laws of the State or the Charter. The Bonds are not general obligations of the Authority, and do not constitute a lien on any real property. The Holders of the Bonds do not have the right to require or compel the exercise of the sales taxing power or the ad valorem property taxing power of the City or of any other taxing entity for payment of the principal of or interest on the Bonds. The owners of the Bonds may not look to the City's General Fund or any other funds of the City or the Authority other than the Subordinate Pledged Revenue for payment of the Bonds. Therefore, the punctual payment of the principal of and interest on the Bonds is dependent on the generation of Subordinate Pledged Revenue in an amount sufficient to meet debt service requirements on the Bonds. See "RISK FACTORS"

The "Subordinate Pledged Revenue" includes: (a) the Incremental Tax Revenue in any Fiscal Year in excess of the Annual Senior Payment Cap; and (b) any other legally available moneys which the Authority determines to credit to the Subordinate Bond Fund. The Annual Senior Payment Cap is the amount which shall be paid with respect to the Senior Payment Obligations on a senior basis to the repayment of the Bonds. See "THE BONDS – Flow of Funds."

The "Incremental Tax Revenue" means (a) Incremental Property Tax Revenue received in excess of the Authority's Retained Operating Revenue of \$50,000 per Fiscal Year and (b) Incremental Sales Tax Revenue. "Incremental Property Tax Revenue" means Property Tax Revenue in excess of an amount equal to the ad valorem property taxes produced by the levy at the rates fixed for such year by or for the governing bodies of the various taxing jurisdictions within or overlapping the Urban Renewal Area upon a valuation for assessment equal to the Property Tax Base Amount. "Incremental Sales Tax Revenue" means the Sales Tax Revenue in excess of the Sales Tax Base Amount; provided, however, that the aggregate Incremental Sales Tax Revenue (including those collected prior to the date of the Indenture) shall not exceed the Incremental Sales Tax Cap of \$98,800,000.

Incremental Sales Tax Revenue

The Subordinate Pledged Revenue is expected to consist primarily of the Incremental Sales Tax Revenue, which consists generally of the Sales Tax Revenues received by the Authority on the City Sales Tax (defined below) which is collected within the Urban Renewal Area, in excess of the Sales Tax Base Amount. **The Authority itself has no power to a sales tax to pay debt service on the Bonds, nor may the Authority compel the City or any other taxing jurisdiction to impose any sales tax.**

The Sales Tax is imposed pursuant to the City Charter and is collected pursuant to Article 7 of the City Code. The primary anticipated source of Subordinate Pledged Revenue is expected to be a portion of the Sales Tax revenue generated within the Urban Renewal Area. "Sales Tax" is defined in the Indenture as the municipal sales tax established by the City pursuant to Article 2 of Chapter 7 of the City Code, as the same shall from time to time be in effect (except for the sales tax for Trails, Open Space and Parks, the Public Safety Sales Tax, the temporary Sales Tax for Road Repair, Maintenance and Improvement, and any other future

sales tax the City may restrict as not being available for tax increment financing), pertaining to and including, without limitation, the sale of tangible personal property at retail or the furnishing of taxable services, or any successor tax in the event that such tax is replaced or superseded.

The City imposes a total sales tax (the “City Sales Tax”) in the amount of 3.12% of taxable sales and services. Of this amount, however, certain portions are restricted for limited uses, as set forth in the following table.

City Sales Tax

Type or Use	Rate
General Sales Tax (1)	2.00%
Trails, Open Space and Parks	0.10
Public Safety	0.40
Roads	0.62
Total	3.12%

(1) Only the incremental revenue from this portion of the City Sales Tax generated by sales within the Urban Renewal Area is pledged to the Bonds.

In addition to the City Sales Tax, taxable sales occurring at the University Village will be subject to sales taxes imposed by other overlapping jurisdictions. The total sales tax applicable within the Urban Renewal Area is set forth in the following table.

Total Overlapping Sales Tax

Taxing Entity	Rate
State of Colorado	2.90%
City of Colorado Springs (1)	3.12
El Paso County	1.23
Pikes Peak Rural Transportation Authority	1.00
Total	8.25%

(1) See the preceding table “City Sales Tax”.

Information Regarding the City Sales Tax. The City Code states that every person who is engaged in business in the City, and who delivers or causes to be delivered to the purchaser or consumer in the City, any taxable property or services, is exercising a taxable privilege and shall collect the City Sales Tax on the total selling price of the article or articles of tangible personal property or taxable services that are purchased, sold, leased or rented at any time by or to every customer or buyer.

Transactions and Items Subject to the Sales Tax. The City Sales Tax is imposed on all taxable transactions in the City, subject to certain stated exemptions including, among others, exemptions for: automotive vehicles registered outside the City; sales to religious, charitable and eleemosynary corporations, to governments and to public utilities;

cigarettes; sales which the City is prohibited from taxing under the Constitution; commercial packaging materials; deliveries to nonresidents outside of the City; feed for livestock; all sales of food; garage sales; gasoline; goods delivered outside of the State; livestock; wholesale sales; mobile homes; motion picture admissions; newspapers; and drugs and certain medical supplies. For a complete discussion of exemptions from the Sales Tax, reference is made to Part 4 of Article 7 of the City Code. In the case of a dispute between a retailer and a purchaser regarding the exemption from the taxation of any sale or service, the retailer must collect and remit the City Sales Tax and the purchaser must make application to the City for a refund.

Manner of Collection and Administration. The City Sales Tax is imposed on the purchaser at retail sale. The vendor must collect and remit the City Sales Tax to the City under penalties for failure to do so as described the City Code. The City's Finance Director is responsible for the proper administration of the City Sales Tax, and the City has established a Sales Tax Division within its Finance Department for this purpose. A sales tax license is required for any person to engage in the business of selling tangible personal property at retail or providing services in the City that are taxable under the City Code. The Finance Director issues such licenses and may revoke the license of any vendor who is found by him to have violated any provision of the Article 7 of the City Code.

Every retailer is required to file a tax return with the Finance Director, on or before the twentieth day of each calendar month, for the preceding month, and is required to simultaneously remit an amount equal to the amount of tax required by the City Code.

Enforcement and Remedies. The City Code provides that the City Sales Tax constitutes a first and prior lien superior to all other liens upon the tangible personal property sold, purchased, stored, used, distributed or consumed, as well as upon the real property, goods, merchandise, furniture and fixtures, tools, equipment, cash, bank accounts and accounts receivable, of any retailer, or used by any retailer in conducting the retail business under lease, title retaining contract or other contract arrangement, within the City.

If any amount of City Sales Tax is not paid on or before the last date prescribed for payment, interest on the amount, at the rate established by the State Commissioner of Banking, shall be paid for the period from the last date to the date paid. Interest prescribed under this section shall be paid upon notice and demand and shall be assessed, collected, and paid in the same manner as the tax to which it is applicable. If any part of the deficiency in payment of the City Sales Tax is due to negligence or intentional disregard of the ordinances or of authorized rules and regulations of the City, but without intent to defraud, there shall be added a penalty of 10% of the total amount of the deficiency, and in such case interest shall be collected at the same rate, on the amount of the deficiency from the time the return was due, from the person required to file the return, which interest and penalty addition shall become due and payable within 20 days after written notice and demand is made to the person by the Finance Director. If any part of the deficiency is due to fraud with the intent to evade the tax, then there shall be added a penalty of 100% of the total amount of the deficiency and in such case, the whole amount of the tax unpaid, including additions, shall become due and payable 20 days after written notice and demand is made by the Finance Director, and an additional 3% per month on the amount shall be added from the date the return was due until paid.

If a person neglects or refuses to make a return in payment of the City Sales Tax or to pay any tax as required, the Finance Director is required to make an estimate, based upon the information as may be available, of the amount of taxes due for the period for which the taxpayer is delinquent and shall add thereto a penalty equal to the sum of \$15.00 for failure or 10% of the delinquent tax, whichever is greater, and interest on the delinquent taxes at the same rate, plus 0.5% per month from the date when due, not exceeding 18% interest in the aggregate.

Historic Collections. A five-year history of the Sales Tax collections is set forth in the following table. Projected future Incremental Sales Tax Revenues are described in the Clifton Report.

Historical Sales and Use Tax Collections (1)

Sales Tax Year	Base Amount	Total Sales Tax Revenues	Incremental Sales Tax Revenues
2011	\$375,603	\$2,374,725	\$1,999,122
2012	\$375,603	2,797,937	2,422,334
2013	\$375,603	3,300,630	2,925,027
2014	\$375,603	3,565,093	3,189,490
2015	\$375,603	4,158,017	3,782,414

(1) Refers to Sales Tax collections within the Urban Renewal Area.

Source: The Authority.

Incremental Property Tax Revenue

Description of the Property Taxes Pledged to the Bonds. The Pledged Revenue also includes the Incremental Property Tax Revenue, which consist generally of the incremental property tax revenue received by the Authority on taxes imposed by other local governments within the Urban Renewal Area, in excess of the revenues generated from the Property Tax Base Amount. **The Authority itself has no power to levy ad valorem property taxes to pay debt service on the Bonds, nor may the Authority or the City compel any other taxing jurisdiction to levy any property tax.**

In years of general reassessment, the assessed valuation of property within the Urban Renewal Area is required to be proportionately adjusted in accordance with such general reassessment. Any increase or decrease in assessed valuation which may occur as a result of such general reassessment is not attributable entirely to the property tax increment. Rather, such increase or decrease is allocated proportionately between the Property Tax Base Amount and the property tax increment so as to maintain the same ratio between the Property Tax Base Amount and the then existing property tax increment as existed prior to the reassessment. In this way, both the Authority and the overlapping taxing jurisdictions receive their proportionate share of any changes in assessed value resulting from statutorily mandated reassessments. All other changes resulting from new development and revaluations become a part of the property tax increment.

The total amount of Property Tax Revenues in any given year will be subject to increases or decreases in the total mill levy imposed by the overlapping taxing entities. See “RISK FACTORS – Risks Related to the Property Tax Revenues – Dependence Upon School District” and the table “Current Mill Levy Applicable to the North Nevada Urban Renewal Area”, below.

Property Subject to Taxation. Subject to the limitations imposed by Article X, Section 20 of the State constitution (the Taxpayers Bill of Rights or “TABOR,” described in “LEGAL MATTERS - Certain Constitutional Limitations”), the governing bodies of local governments which overlap the Urban Renewal Area (the “Boards”) have the power to certify to the Board of County Commissioners a levy for collection of ad valorem taxes against all taxable property within the respective area of each taxing entity.

Property taxes are uniformly levied against the assessed valuation of all property subject to taxation by the Authority. Both real and personal property are subject to taxation, but there are certain classes of property which are exempt. Exempt property includes, but is not limited to: property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; property used for charitable or religious purposes; nonprofit cemeteries; irrigation ditches, canals, and flumes used exclusively to irrigate the owner’s land; household furnishings and personal effects not used to produce income; intangible personal property; inventories of merchandise and materials and supplies which are held for consumption by a business or are held primarily for sale; livestock; agricultural and livestock products; and works of art, literary materials and artifacts on loan to a political subdivision, gallery or museum operated by a charitable organization. The State Board of Equalization supervises the administration of all laws concerning the valuation and assessment of taxable property and the levying of property taxes.

Assessment of Property. Taxable property is first appraised by the County Assessor to determine its statutory “actual” value. This amount is then multiplied by the appropriate assessment percentage to determine each property’s assessed value. The mill levy of each taxing entity is then multiplied by this assessed value to determine the amount of property tax levied upon such property by such taxing entity. Each of these steps in the taxation process is explained in more detail below.

Determination of Statutory Actual Value. The County Assessor annually conducts appraisals in order to determine, on the basis of statutorily specified approaches, the statutory “actual” value of all taxable property within the County as of January 1. Most property is valued using a market approach, a cost approach or an income approach. Residential property is valued using the market approach, and agricultural property, exclusive of building improvements thereon, is valued by considering the earning or productive capacity of such lands during a reasonable period of time, capitalized at a statutory rate.

The statutory actual value of a property is not intended to represent its current market value, but, with certain exceptions, is determined by the County Assessor utilizing a “level of value” ascertained for each two-year reassessment cycle from manuals and associated data published by the State Property Tax Administrator for the statutorily-defined period preceding the assessment date. Real property is reappraised by the County Assessor’s office

every odd numbered year. The statutory actual value is based on the “level of value” for the period one and one-half years immediately prior to the July 1 preceding the beginning of the two-year reassessment cycle (adjusted to the final day of the data-gathering period). For example, values for levy year 2015 (collection year 2016) were based on an analysis of sales and other information for the period January 1, 2013 to June 30, 2014. The following table sets forth the State Property Appraisal System for property tax levy years 2011 through 2015:

<u>Collection Year</u>	<u>Levy Year</u>	<u>Value Calculated As Of</u>	<u>Based on the Market Period</u>
2012	2011	July 1, 2010	Jan. 1, 2009 to June 30, 2010
2013	2012	July 1, 2010	Jan. 1, 2009 to June 30, 2010
2014	2013	July 1, 2012	Jan. 1, 2011 to June 30, 2012
2015	2014	July 1, 2012	Jan. 1, 2011 to June 30, 2012
2016	2015	July 1, 2014	Jan. 1, 2013 to June 30, 2014

The County Assessor may consider market sales from more than one and one-half years immediately prior to July 1 if there were insufficient sales during the stated market period to accurately determine the level of value.

Oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals are valued based on production levels rather than by the base year level of value method. Public utilities are valued by the State Property Tax Administrator based upon the value of the utility’s tangible property and intangibles (subject to certain statutory adjustments), gross and net operating revenues and the average market value of its outstanding securities during the prior calendar year.

Determination of Assessed Value. Assessed valuation, which represents the value upon which ad valorem property taxes are levied, is calculated by the County Assessor as a percentage of statutory actual value. The percentage used to calculate assessed valuation differs depending upon the classification of each property.

Residential Property. To avoid extraordinary increases in residential real property taxes when the base year level of value is changed, the State constitution requires the Colorado General Assembly to adjust the assessment rate of residential property for each year in which a change in the base year level of value occurs. This adjustment is constitutionally mandated to maintain the same percentage of the aggregate statewide valuation for assessment attributable to residential property which existed in the previous year (although, notwithstanding the foregoing, TABOR prohibits any valuation for assessment ratio increase for a property class without prior voter approval).

Pursuant to the adjustment process described above, the residential assessment rate is adjusted every two years, resulting in the following history of residential assessment rates since levy year 1989: 15.00% of statutory actual value (levy years 1989-90); 14.34% of statutory actual value (levy years 1991-92); 12.86% of statutory actual value (levy years 1993-94); 10.36% of statutory actual value (levy years 1995-96); 9.74% of statutory actual value (levy years 1997-00); 9.15% of statutory actual value (levy years 2001-02); and 7.96% of statutory actual value (levy years 2003-15). In December 2015, the Colorado Legislative Council (the

research division of the Colorado General Assembly) projected that the residential assessment rate will decrease to at 7.78% in levy year 2017. This projection is only an estimate, however, and is subject to change. The residential assessment rate cannot increase without the approval of Colorado voters.

Nonresidential Property. All non-residential taxable property, with certain specified exceptions, is assessed at 29% of its statutory actual value. Producing oil and gas property is generally assessed at 87.5% of the selling price of the oil and gas.

Protests, Appeals, Abatements and Refunds. Property owners are notified of the valuation of their land or improvements, or taxable personal property and certain other information related to the amount of property taxes levied, in accordance with statutory deadlines. Property owners are given the opportunity to object to increases in the statutory actual value of such property, and may petition for a hearing thereon before the County's Board of Equalization. Upon the conclusion of such hearings, the County Assessor is required to complete the assessment roll of all taxable property and, no later than August 25th each year, prepare an abstract of assessment therefrom. The abstract of assessment and certain other required information is reviewed by the State Property Tax Administrator prior to October 15th of each year and, if necessary, the State Board of Equalization orders the County Assessor to correct assessments. The valuation of property is subject to further review during various stages of the assessment process at the request of the property owner, by the State Board of Assessment Appeals, the State courts or by arbitrators appointed by the BOCC. On the report of an erroneous assessment, an abatement or refund must be authorized by the BOCC; however, in no case will an abatement or refund of taxes be made unless a petition for abatement or refund is filed within two years after January 1 of the year in which the taxes were levied. Refunds or abatements of taxes are prorated among all taxing entities which levied a tax against the property.

Statewide Review. The Colorado General Assembly is required to cause a valuation for assessment study to be conducted each year in order to ascertain whether or not county assessors statewide have complied with constitutional and statutory provisions in determining statutory actual values and assessed valuations for that year. The final study, including findings and conclusions, must be submitted to the Colorado General Assembly and the State Board of Equalization by September 15th of the year in which the study is conducted. Subsequently, the Board of Equalization may order a county to conduct reappraisals and revaluations during the following property tax levy year. Accordingly, the Authority's assessed valuation may be subject to modification following any such annual assessment study.

Homestead/Disabled Veterans Property Tax Exemptions. The Colorado Constitution provides property tax exemptions for qualifying senior citizens (adopted in 2000) and for disabled veterans (adopted in 2006). The senior citizen provision provides that for property tax collection years 2007 and later (except that the exemption was suspended for collection years 2009 to 2012), the exemption is equal to 50% of the first \$200,000 of actual value of residential real property that is owner-occupied if the owner or his or her spouse is 65 years of age or older and has occupied such residence for at least 10 years. The disabled veterans provision provides that for property tax collection years 2008 and later, the same exemption is available to homeowners who have served on active duty in the U.S. Armed Forces and who are rated 100% permanently disabled by the federal government due to a service-connected

disability. The State is required to reimburse all local governments for the reduction in property tax revenue resulting from these exemptions; therefore, it is not expected that this exemption will result in the loss of any property tax revenue to the Authority. There is no assurance, however, that the State reimbursement will be received in a time period which is sufficient to replace the reduced property tax revenue.

Taxation Procedure. The County Assessor is required to certify to the Authority the assessed valuation of property within the Authority no later than August 25th of each year. If the County Assessor makes changes in the valuation for assessment or the total actual value prior to December 10, the County Assessor notifies the Authority of those changes. Subject to the limitations of TABOR, based upon the valuation certified by the County Assessor, the Boards compute a rate of levy which, when levied upon every dollar of the valuation for assessment of property subject to the Authority's property tax, and together with other legally available Authority revenues, will raise the amount required by the Authority in its upcoming fiscal year. The Authority subsequently certifies to the BOCC the rate of levy sufficient to produce the needed funds. Such certification must be made no later than December 15th of the property tax levy year for collection of taxes in the ensuing year. The property tax rate is expressed as a mill levy, which is the rate equivalent to the amount of tax per one thousand dollars of assessed valuation. For example, a mill levy of 25 mills would impose a \$250 tax on a parcel of property with an assessed valuation of \$10,000.

The Commissioners levy the tax on all property subject to taxation by the Authority. By December 22nd of each year, the Commissioners must certify to the County Assessor the levy for all taxing entities within the applicable county. If the Commissioners fail to so certify, it is the duty of the County Assessor to extend the levies of the previous year. Further revisions to the assessed valuation of property may occur prior to the final step in the taxing procedure, which is the delivery by the County Assessor of the tax list and warrant to the County Treasurer.

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2015 are being collected in 2016. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or in two equal installments (not later than the last day of February and June 15th) without interest or penalty. Interest accrues on unpaid first installments at the rate of 1% per month from March 1 until the date of payment unless the whole amount is paid by April 30. If the second installment is not paid by June 15, the unpaid installment will bear interest at the rate of 1% per month from June 16 until the date of payment. Notwithstanding the foregoing, if the full amount of taxes is to be paid in a single payment after the last day of April and is not so paid, the unpaid taxes will bear penalty interest at the rate of 1% per month accruing from the first day of May until the date of payment. The County Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to the Authority on a monthly basis. The payments to the Authority must be made by the 10th of each month, and shall include all taxes collected through the end of the preceding month.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the

property taxed from January 1st of the property tax levy year until paid. Such lien is on a parity with the tax liens of other general taxes. It is the County Treasurer’s duty to enforce the collection of delinquent real property taxes by tax sale of the tax lien on such realty. Delinquent personal property taxes are enforceable by distraint, seizure, and sale of the taxpayer’s personal property. Tax sales of tax liens on realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending public sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale. There can be no assurance that the proceeds of tax liens sold, in the event of foreclosure and sale by the County Treasurer, would be sufficient to produce the amount required with respect to property taxes levied by the Authority and property taxes levied by overlapping taxing entities, as well as any interest or costs due thereon. Further, there can be no assurance that the tax liens will be bid on and sold. If the tax liens are not sold, the County Treasurer removes the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed. When any real property has been stricken off to a county and there has been no subsequent purchase, the taxes on such property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and they may be canceled by the BOCC after that time.

Ad Valorem Property Tax Data. A recent history of the Urban Renewal Area’s assessed valuation and tax increment mill levy is set forth in the following table.

History of Assessed Valuations and Mill Levies in the Urban Renewal Area

Levy/ Collection Year	Assessed Valuation			Valuation Allocable to Increment	Tax Increment Mill Levy ⁽²⁾
	Total Assessed Valuation in Tax Increment Area	Percent Change	Valuation Allocable to Base ⁽¹⁾		
2011/2012	\$18,387,220	--	\$5,523,770	\$12,863,450	66.586
2012/2013	19,839,550	7.9%	5,180,650	14,658,900	60.265
2013/2014	21,517,500	8.5	5,197,510	16,319,990	61.197
2014/2015	22,425,000	4.2	5,123,760	17,301,240	60.175
2015/2016	26,030,930	16.1	5,184,610	20,846,320	57.749

(1) In intervening (even) years the base and increment are proportionately adjusted due to court orders and prior year abatements

(2) Represents mill levies imposed by jurisdictions that overlap the Urban Renewal Area.

Sources: State of Colorado, Department of Local Affairs, Division of Property Taxation, Annual Reports, 2011-2014; and the El Paso County Assessor’s Office.

The following table sets forth a history of the Urban Renewal Area’s ad valorem tax increment collections.

Property Tax Increment Collections

Levy/Collection Year	Taxes Levied	Current Tax Collections ⁽¹⁾	Collection Rate
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2010/2011	\$758,844	\$754,766	99.46%
2011/2012	857,803	854,410	99.60
2012/2013	884,383	884,140	99.97
2013/2014	998,798	998,732	99.99
2014/2015	1,041,109	1,032,201	99.14
2015/2016 ⁽²⁾	1,203,856	619,178	--

(1) The County Treasurer's collection fees have not been deducted from these amounts. Figures do not include interest, fees and penalties.

(2) Collections are for January 1 through April 30, 2016.

Source: El Paso County Treasurer's Office.

Based upon the most recent information available from El Paso County, the following table represents the ten largest taxpayers within the Urban Renewal Area. A determination of the largest taxpayers can be made only by manually reviewing individual tax records. Therefore, it is possible that owners of several small parcels may have an aggregate assessed value in excess of those set forth in the following chart. Furthermore, the taxpayers shown in the chart may own additional parcels within the Urban Renewal Area not included herein. No independent investigation has been made of and consequently there can be no representation as to the financial conditions of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the Urban Renewal Area.

Ten Largest Taxpayers within the Urban Renewal Area

Taxpayer Name	2015 Assessed Valuation	Percentage of Total Assessed Valuation ⁽¹⁾
North Nevada Retail Ventures, LLC	\$6,529,350	25.08%
Costco Wholesale Corp.	4,862,130	18.68
Lowe's ⁽²⁾	3,102,270	11.92
CCC-Colorado Springs LLC	1,922,510	7.39
Advenir@The Village LLC	1,377,000	5.29
CLW Enterprises LLC	857,760	3.29
CMJ Investments LLC	680,330	2.61
Colorado Springs I Medical	631,910	2.43
Colorado Creekside Housing L P	531,260	2.04
Parkside Storage Partners LLLP	<u>342,350</u>	<u>1.32</u>
TOTAL	<u>\$20,836,870</u>	<u>80.05%</u>

(1) Based on the 2015 assessed valuation of \$26,030,930.

(2) Lowes includes Lowes HIW Inc. and Lowes Home Centers LLC.

Source: El Paso County Assessor's Office.

The following table sets forth the assessed valuation of specific classes of real and personal property within the Urban Renewal Area based upon the Urban Renewal Area's 2015 assessed valuation. As shown below, commercial property accounts for the largest percentage of

the Urban Renewal Area’s assessed valuation, and therefore it is anticipated that owners of commercial property will pay the largest percentage of ad valorem property taxes.

2015 Assessed Valuation of Classes of Property in the Urban Renewal Area

Class	Total Assessed Valuation	Percent of Total Assessed Valuation
Commercial	\$20,986,640	80.62%
Residential	3,871,160	14.87
Vacant Land	1,156,540	4.44
State Assessed	<u>16,590</u>	<u>0.07</u>
TOTAL	<u>\$26,030,930</u>	<u>100.00%</u>

Source: El Paso County Assessor’s Office.

Sample Mill Levy Affecting Property Owners within the Urban Renewal Area

Owners of property within the Urban Renewal Area are obligated to pay taxes to other taxing entities in which their property is located. As a result, property owners within the Urban Renewal Area’s boundaries may be subject to different mill levies depending upon the location of their property. The following table reflects a sample mill levy that may be imposed on properties within the Urban Renewal Area and is not intended to portray the mills levied against all properties within the areas shown. Property owners may be subject to a larger or smaller total mill levy than the sample given in the following table.

Sample Mill Levy Affecting Property Owners within the Urban Renewal Area

Taxing Entity ⁽¹⁾	2015 Mill Levy ⁽²⁾
Colorado Springs School District 11	40.803
El Paso County	7.869
City of Colorado Springs	4.279
Pikes Peak Library District	3.857
Southeastern Colorado Water Conservancy District	<u>0.941</u>
Total Sample Mill Levy	<u>57.749</u>

(1) El Paso County Conservation District also overlaps the Urban Renewal Area, but does not assess a mill levy.

(2) One mill equals 1/10 of one cent. Mill levies certified in 2015 are for the collection of ad valorem property taxes in 2016.

Source: El Paso County Assessor’s Office.

Estimated Overlapping General Obligation Debt

Certain taxing entities whose boundaries are within or partially within the Urban Renewal Area are authorized to incur general obligation debt. The following table sets forth the estimated overlapping general obligation debt chargeable to property owners within the Urban

Renewal Area as of the date of this Official Statement. Additional taxing entities may overlap the Urban Renewal Area in the future.

Estimated Overlapping General Obligation Debt

Entity ⁽¹⁾	2015 Assessed Valuation ⁽²⁾	Outstanding General Obligation Debt	Outstanding General Obligation Debt Chargeable to the Urban Renewal Area ⁽³⁾	
			Percent	Debt
Colorado Springs School District 11	\$2,458,814,590	\$136,853,111	1.06%	\$1,450,643
Southeastern Colo. Water Cons. Dist. ⁽⁴⁾	7,832,733,580	29,271,268	0.33	<u>96,595</u>
TOTAL				<u>\$1,547,238</u>

- (1) The following entities also overlap the Urban Renewal Area, but have no reported general obligation debt outstanding: City of Colorado Springs; El Paso County; El Paso County Conservation District; and Pikes Peak Library District.
- (2) Assessed values certified in 2015 are for collection of ad valorem property taxes in 2016.
- (3) The percentage of each entity’s outstanding debt chargeable to the Urban Renewal Area is calculated by comparing the assessed valuation of the portion overlapping the Urban Renewal Area to the total assessed valuation of the overlapping entity. To the extent the Urban Renewal Area’s assessed valuation changes disproportionately with the assessed valuation of overlapping entities, the percentage of debt for which property owners within the Urban Renewal Area are responsible will also change.
- (4) The Southeastern Colorado Water Conservancy District (“SCWCD”) is comprised of portions of nine Colorado counties. SCWCD’s debt consists of a contractual obligation with the United States Bureau of Reclamation for payment of the reimbursable costs of the Fryingpan-Arkansas Project. The project’s primary purpose is to divert water from the Colorado River tributaries for use in water-short areas. Revenues to meet payments are provided via an ad valorem mill levy applied against property within the nine counties and via fees charged for sale and storage of water. SCWCD dedicates nine-tenths of its mill levy to the contractual obligation.

Sources: Assessors’ Offices of Bent, Chaffee, Crowley, El Paso, Fremont, Kiowa, Otero, Prowers, and Pueblo Counties; and individual taxing entities.

Events of Default and Remedies

Events of Default. The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an Event of Default under the Indenture (whatever the reason for such event or condition and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree, rule, regulation, or order of any court or any administrative or governmental body), and there shall be no default or Event of Default thereunder except as provided in this Section:

- (a) The Authority fails or refuses to transfer the Incremental Tax Revenue to the Trustee as required by the Indenture;
- (b) The Authority defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Authority in the Indenture or the Authorizing Resolution, and fails to remedy the same after notice thereof pursuant to the Indenture; or

(c) The Authority files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds.

IT IS ACKNOWLEDGED THAT DUE TO THE LIMITED NATURE OF THE SUBORDINATE PLEDGED REVENUE, THE FAILURE TO PAY THE PRINCIPAL OF OR INTEREST ON THE BONDS WHEN DUE SHALL NOT, OF ITSELF, CONSTITUTE AN EVENT OF DEFAULT UNDER THE INDENTURE.

Remedies on Occurrence of Event of Default. Upon the occurrence and continuance of an Event of Default under the Indenture, the Trustee shall have the following rights and remedies which may be pursued.

(i) *Receivership.* Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the Authority; but notwithstanding the appointment of any receiver or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the Indenture to, the Trustee.

(ii) *Suit for Judgment.* The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Act, the Bonds, the Bond Resolution, the Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate.

(iii) *Mandamus or Other Suit.* The Trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the Owners.

No recovery of any judgment by the Trustee shall in any manner or to any extent affect the lien of the Indenture or any rights, powers, or remedies of the Trustee hereunder, or any lien, rights, powers, and remedies of the Owners of the Bonds, but such lien, rights, powers, and remedies of the Trustee and of the Owners shall continue unimpaired as before.

If any Event of Default under clause (a) under “Events of Default” above with respect to the Bonds shall have occurred and if requested by the Owners of twenty-five percent (25%) in aggregate principal amount of the respective series of Bonds then Outstanding, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Owners, subject to the limitations set forth in the Indenture; provided that the Trustee at its option shall be indemnified as provided in the Indenture.

Notwithstanding anything in the Indenture to the contrary, acceleration of the Bonds shall not be an available remedy for an Event of Default.

Majority of Owners May Control Proceedings. The Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to

the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver, and any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions hereof; and provided further that at its option the Trustee shall be indemnified as provided in the Indenture.

Rights and Remedies of Owners. No Owner of any Bond shall have any right to institute any suit, action, or proceeding in equity or at law for the enforcement of the Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (a) a default has occurred of which the Trustee has been notified as provided in the Indenture, or of which under that Section it is deemed to have notice, (b) such default shall have become an Event of Default, (c) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit, or proceedings in their own name, and shall have also offered to the Trustee indemnity as provided in the Indenture, and (d) the Trustee shall thereafter fail or refuse to exercise the powers hereinbefore granted, or to institute such action, suit, or proceeding in its own name; such notification, request, and offer of indemnity are declared in every case at the option of the Trustee to be conditions precedent to any action or cause of action for the enforcement of the Indenture, or for the appointment of a receiver or for any other remedy under the Indenture; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatsoever to affect, disturb, or prejudice the lien of the Indenture by his, her, its, or their action, or to enforce any right hereunder except in the manner herein provided and that all proceedings at law or in equity shall be instituted, had, and maintained in the manner provided in the Indenture and for the equal benefit of the Owners of all Bonds then Outstanding.

Application of Moneys. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture relating to Events of Default and remedies and any other moneys held as part of the Trust Estate, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and the fees (including attorneys' fees and any other professionals hired by the Trustee hereunder), expenses, liabilities, and advances incurred or made by the Trustee, shall be deposited in the appropriate accounts or accounts created hereunder in the same manner as is provided for deposits of other revenue and used for the purposes thereof, until the principal of, premium if any, and interest on all of the Bonds has been paid in full. Whenever all of the Bonds and interest thereon have been paid and all expenses and fees of the Trustee have been paid, any balance remaining in any of the funds held under the Indenture shall be paid to the Authority.

Trustee May Enforce Rights Without Bonds. All rights of action and claims under the Indenture or any of the Bonds Outstanding under the Indenture may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or proceedings relative thereto. Any suit or proceeding instituted by the Trustee shall be brought in its name as the Trustee, without the necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the ratable benefit of the Owners of the Bonds, subject to the provisions of the Indenture.

Trustee to File Proofs of Claim in Receivership, Etc. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition, or other judicial proceedings affecting the Authority, the Trustee shall, to the extent permitted by law, file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Trustee and of the Owners allowed in such proceedings, without prejudice, however, to the right of any Owner to file a claim in his own behalf.

Delay or Omission No Waiver. No delay or omission of the Trustee or of any Owner to exercise any right or power accruing upon any default shall exhaust or impair any such right or power or shall be construed to be a waiver of any such default, or acquiescence therein; and every power and remedy given by the Indenture may be exercised from time to time and as often as may be deemed expedient.

No Waiver of One Default to Affect Another; All Remedies Cumulative. No waiver of any default under the Indenture, whether by the Trustee or the Owners, shall extend to or affect any subsequent or any other then existing default or shall impair any rights or remedies consequent thereon. All rights and remedies of the Trustee and the Owners provided in the Indenture shall be cumulative and the exercise of any such right or remedy shall not affect or impair the exercise of any other right or remedy.

Discontinuance of Proceedings on Default; Position of Parties Restored. In case the Trustee shall have proceeded to enforce any right under the Indenture and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then and in every such case the Authority and the Trustee shall be restored to their former positions and rights under the Indenture with respect to the Trust Estate, and all rights, remedies, and powers of the Trustee shall continue as if no such proceedings had been taken.

Waivers of Events of Default. The Trustee may in its discretion waive any Event of Default under the Indenture and its consequences, and shall do so upon the written request of the Consent Parties with respect to a majority in aggregate principal amount of all the Bonds then Outstanding; provided however, that there shall not be waived without the consent of the Consent Parties with respect to one hundred percent of the Bonds then Outstanding as to which the Event of Default exists any Event of Default described in clause (a) under "Events of Default," above. In case of any such waiver, or in case any proceedings taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely to the Trustee, then in every such case the Authority, the Trustee, and the Owners shall be restored to their former positions and rights under the Indenture respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

DEBT SERVICE REQUIREMENTS

Set forth in the following chart are the debt service requirements for the Bonds.

Debt Service Requirements

Source: The Underwriter.

THE AUTHORITY

Organization and Description

The Authority is an independent body corporate and politic established by the City Council in 1970 pursuant to the Act for the purpose of undertaking certain urban renewal activities within the City. In connection with the redevelopment of the North Nevada Avenue corridor, on December 14, 2004, the City Council adopted Resolution No. 298-04, which approved the Urban Renewal Plan and established the Urban Renewal Area. See “THE URBAN RENEWAL AREA.”

Authority Powers

The Authority has all the powers necessary or convenient to carry out and effectuate the purposes and provisions of the Act, including but not limited to the power to sue and be sued; to undertake urban renewal activities and to make and execute all contracts and other instruments necessary or convenient to its purposes, including contracts for advances, loans, grants, and contributions; to arrange for the furnishing or repair by any person or public body of services, facilities or utilities in connection with an activity of the Authority; to dedicate its property for public works; to arrange with the City or other public body to plan, replan, zone, or rezone land areas in connection with an activity of the Authority; to acquire any property by purchase, lease, gift, or to otherwise acquire any interest in property by condemnation and to hold, improve, clear, or prepare such property for redevelopment; to mortgage or otherwise encumber or dispose of its property; to provide for insurance of any property or operations of the Authority; to sell, lease, or otherwise transfer real property or any interest therein as part of an urban renewal plan at not less than fair value, as determined by the Authority, or to negotiate for the sale, lease, or other transfer of such property for redevelopment or rehabilitation; to borrow money and to give such security as may be required; to make appropriations and expenditures and to establish such funds and accounts necessary for Authority purposes; to submit proposed plans to the Council for appropriate action of the Council’s necessary to carry out the Authority’s purposes; to make reasonable relocation payment to or with respect to individuals, families, and business concerns in an urban renewal area which may be displaced as a result of the Plan; and to issue bonds, notes, or other evidences of indebtedness and to expend the proceeds thereof for lawful purposes. Further, no provision of any other law with respect to the planning or undertaking of projects or the acquisition, clearance, or disposition of property by public bodies shall restrict the Authority with respect to a project of the Authority unless the General Assembly specifically so states. **The Authority does not have the power to levy or assess any ad valorem taxes, personal property taxes, sales taxes, or any other forms of taxes, including special assessments, against any property.**

Cooperation With Other Public Bodies

Pursuant to the Act, any public body (defined as the State of Colorado or any municipality, quasi municipal corporation, board, commission, authority, or other political subdivision or public corporate body of the state) is entitled, within the scope of its own powers, to aid the Authority in its undertakings. Upon such terms as may be developed, such public body may sell, convey, lease, grant easements, licenses, or other rights or privileges in property of the

public body to the Authority; incur expenses of any public improvement made by such public body in exercising these cooperative powers; do all things necessary to aid or cooperate with the Authority in planning and undertaking its activities; enter into agreements with respect to cooperative activities; cause public improvements, services, and facilities which the public body is entitled to undertake to be furnished or otherwise improved within the urban renewal area; plan, replan, zone, or rezone any area under the jurisdiction of the public body; or cause administrative or other services to be furnished to the Authority.

The City has been instrumental in aiding the Authority, both through the provision of administrative services and support and through the sponsorship and financing of other improvements pursuant to the Urban Renewal Plan. In particular, the Authority and the City have entered into the Cooperation Agreement, pursuant to which the City has agreed, subject to its Charter and applicable laws, to cooperate with the Authority in the undertaking of the Urban Renewal Plan, in accordance with the terms of the Cooperation Agreement. See "Authority Agreements – Cooperation Agreement," below.

Governing Board

The powers of the Authority are vested in its thirteen member Board of Commissioners (the "Board"). In accordance with the Act, as amended by House Bill 15-1348, the Board is comprised of: (i) ten individuals appointed by the Mayor and approved by City Council, (ii) one member appointed by El Paso County, Colorado, (iii) one member who is an elected member of the board of education of School District 11 and (iv) one member who is a board member of a special district selected by agreement of the special districts levying a mill levy within the boundaries of the "urban renewal authority area" (as defined in the Act) of the Authority. Commissioners hold meetings as necessary. Each commissioner is entitled to one vote on all questions before the Board when a quorum is present. Commissioners receive no compensation for services, but are entitled to necessary expenses incurred in the performance of their duties. Each commissioner serves a term of five years. A commissioner holds office until a successor has been appointed. The present commissioners, their lengths of service on the Board, and terms of office are as follows.

Name	Title	Years of Service	Term Expires
Wynne Palermo	Chair	4 years	2017
Tiffany Colvert	Vice-Chair	3 years	2018
Jim Raughton	Commissioner	4 years	2017
Robert Shonkwiler	Commissioner	4 years	2017
Merv Bennett	Commissioner	3 years	2018
Valerie Hunter	Commissioner	2 years	2020
Peter Scoville	Commissioner	2 years	2019
Jim Mason	Commissioner	2 months	2021
Jack Weipking	Commissioner	1 month	2017
Randy Case	Commissioner	2 months	2021
Toby Gannett	Commissioner	1 month	2018
Gary Feffer	Commissioner	1 month	2021

Administration

The Board is responsible for the overall management and administration of the affairs of the Authority. However, the day to day operations of Authority are conducted by independent contractors. The following is a list of the administrative and management personnel most directly involved in the management of the Authority, the issuance of the Bonds, their duties and their background experience.

James W. Rees, Executive Director. Jim Rees is the Executive Director of the Colorado Springs Urban Renewal Authority, a position he has held since 2012. During his tenure, the Authority has established two new mixed-use redevelopment projects, with anticipated ten year build outs. Prior to being appointed as the Executive Director for the Authority, Mr. Rees was under contract with the Authority to provide project management services for six urban renewal areas, including the North Nevada Avenue project. Prior to working for the Authority, Mr. Rees served as the Urban Redevelopment Manager for the Planning and Community Development Department of the City of Colorado Springs.

Dean Beukema. Dean Beukema provides administrative assistance to the Authority including record keeping, bookkeeping and other administrative duties as required for day to day operation of the Authority. Prior to working for the Authority, Ms Beukema provided administrative service for the Colorado Springs City Council.

Authority Agreements

The Authority is a party to the following agreements which pertain to the redevelopment of Urban Renewal Area.

Cooperation Agreement. On July 12, 2007, the Authority entered into a Cooperation Agreement with the City. The Cooperation Agreement authorizes the City to allocate municipal Sales Tax revenues in excess of the statutory base amount to the Authority, but no more than a total of \$98,800,000. See “RISK FACTORS – Risks Related to the Incremental Sales Tax Revenues – Sales Tax Maximum Sharing Amount.” However, if there is a change in the Sales Tax within the City, the allocated Sales Tax is subject to adjustment. The Cooperation Agreement was approved by the City Council in Resolution No. 91-07, adopted on May 22, 2007.

Insurance Coverage

The Authority maintains general liability insurance and public officials professional liability insurance through ACE American Insurance Company. The Authority’s current coverage expires on September 25, 2016, and provides, in general, \$2,000,000 of insurance coverage for general liability claims and public officials professional liability claims.

AUTHORITY FINANCIAL INFORMATION

General

For accounting purposes, the Authority is treated as a component unit of the City. Accordingly, the Authority's financial statements included in the City's comprehensive annual financial report. However, the Authority also has its own financial statements audited by an independent certified public accounting firm each year.

History of Authority Revenue and Expenditures

The Authority reports its financial activity through several funds, including its General Fund which includes the Authority's general governmental activity and its North Nevada Debt Service Fund, which includes the repayment of the Authority's long term obligations relating to the Urban Renewal Area, including the Refunded Bonds and the Bonds. Set forth below are five year history of activity in the Authority's General Fund and a three year history of activity in the Authority's North Nevada Debt Service Fund. Prior to 2013, the District's audited financial statements did not report its obligations with respect to the Urban Renewal Area separately from other obligations.

Statement of Revenue, Expenditures
and Changes in Fund Balance – General Fund

	2011	2012	2013	2014	2015
Revenues					
Administration fees	\$80,885	\$213,077	\$223,467	\$256,955	\$255,344
Net investment income	138	143	58	2	--
Project management	35,000	15,000	7,014	--	--
Reimbursed expenditure	25,715	45,190	22,086	21,894	91,423
Other income	575	22,000	--	115	--
Total revenues	142,313	295,410	252,625	278,966	346,767
Expenditures:					
Advertising	214	--	--	--	--
Audit	5,600	12,058	5,500	5,500	5,500
Consulting services	30,745	53,040	43,885	86,666	131,406
Contracted services	188,360	169,820	153,000	120,000	133,198
Dues and memberships	1,500	1,500	500	1,230	500
Insurance	3,763	4,469	4,645	4,368	4,380
Legal	14,285	34,880	13,620	8,960	59,246
Meetings	2,475	1,177	1,032	1,536	1,930
Moving expense	--	--	1,869	--	--
Miscellaneous	122	352	2,480	2,631	5,261
Office expense	2,645	963	2,743	780	1,236
Rent	13,470	13,464	1,113	--	--
Services - General	49,282	30,655	2,758	2,636	2,899
Telephone	2,342	2,171	2,421	1,720	1,682
Total expenditures	314,803	324,549	235,566	236,027	347,238
Net change in fund balance	(172,490)	(29,139)	17,059	42,939	(471)
Fund balance - beginning of year	265,188	92,698	63,559	80,618	123,557
Fund balance - end of year	\$92,698	\$63,559	\$80,618	\$123,557	\$123,086

Source: The Authority's audited financial statements for the years ended December 31, 2011-2015.

**Statement of Revenue, Expenditures
and Changes in Fund Balance – North Nevada Debt Service Fund**

	2013	2014	2015
Revenues:			
Net investment income	\$2,748	\$2,140	\$1,410
Incremental property taxes	889,676	983,104	1,027,472
Incremental sales taxes	2,925,027	3,189,490	3,782,414
Total revenues	<u>3,817,451</u>	<u>4,174,734</u>	<u>4,811,296</u>
Expenditures:			
Cash management fees	523	730	1,020
County Treasurer's fees	13,372	15,006	15,486
Bond interest	3,166,800	3,112,900	3,044,300
Bond principal	770,000	980,000	1,415,000
Paying agent fees	7,054	5,500	5,500
Sales tax collection fee	2,025	1,254	1,786
Total expenditures	<u>3,959,774</u>	<u>4,115,390</u>	<u>4,483,092</u>
Net change in fund balance	(142,323)	59,344	328,204
Fund balance - beginning of year	<u>677,883</u>	<u>535,560</u>	<u>594,904</u>
Fund balance - end of year	<u>\$535,560</u>	<u>\$594,904</u>	<u>\$923,108</u>

Source: The Authority's audited financial statements for the years ended December 31, 2013-2015.

ECONOMIC AND DEMOGRAPHIC INFORMATION

This portion of the Limited Offering Memorandum contains general information concerning historic economic and demographic conditions in and surrounding the City. It is intended only to provide prospective investors with general information regarding the community near the Urban Renewal Area. The information was obtained from the sources indicated and is limited to the time periods indicated. The Authority makes no representation as to the accuracy or completeness of data obtained from parties other than the Authority. The information is historic in nature; it is not possible to predict whether the trends shown will continue in the future.

Population

The following table sets forth a history of the populations of the City of Colorado Springs, El Paso County and the State. Between 2000 and 2010, the City's population increased 15.4%. During the same time period, the populations of El Paso County and the State increased 20.4% and 16.9%, respectively.

<u>Population</u>						
Year	City of Colorado Springs	Percent Change	El Paso County	Percent Change	Colorado	Percent Change
1970	135,060	--	235,972	--	2,207,259	--
1980	214,821	59.1%	309,424	31.1%	2,889,735	30.9%
1990	281,140	30.9	397,014	28.3	3,294,394	14.0
2000	360,890	28.4	516,929	30.2	4,301,261	30.6
2010	416,427	15.4	622,263	20.4	5,029,196	16.9
2011	427,582	--	638,095	--	5,120,193	--
2012	433,245	1.3%	647,282	1.4%	5,191,979	1.4%
2013	438,948	1.3	657,103	1.5	5,270,986	1.5
2014	443,965	1.1	665,070	1.2	5,353,471	1.6

Sources: United States Department of Commerce, Bureau of the Census (1970 to 2010), and Colorado State Demography Office (2011 to 2014 estimates, which are subject to periodic revisions).

Income

The following table sets forth annual per capita personal income levels for El Paso County, the State and the United States. Per capita personal income levels in El Paso County have consistently been lower than personal income levels in the State and the United States during the period shown.

Per Capita Personal Income

Year ⁽¹⁾	El Paso County	Colorado	United States
2010	\$38,363	\$41,877	\$40,277
2011	39,942	44,349	42,453
2012	40,611	46,402	44,266
2013	40,541	46,746	44,438
2014	41,945	48,869	46,049
2015	n/a	50,410	47,669

(1) County figures updated November 19, 2015. State and national figures updated March 24, 2016. All figures are subject to periodic revisions.

Source: United States Department of Commerce, Bureau of Economic Analysis.

Employment

The following table presents information on employment within El Paso County, the State and the United States, for the time period indicated.

Labor Force and Percent Unemployed

Year	El Paso County ⁽¹⁾		Colorado ⁽¹⁾		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2011	307,563	9.1%	2,736,079	8.4%	8.9%
2012	307,220	8.8	2,759,437	7.9	8.1
2013	308,180	7.8	2,780,536	6.8	7.4
2014	308,141	6.0	2,815,200	5.0	6.2
2015	307,936	4.6	2,828,529	3.9	5.3
<u>Month of March</u>					
2015	304,862	5.5%	2,815,057	4.6%	5.5%
2016 ⁽²⁾	311,079	4.0	2,874,645	3.5	5.0

(1) Figures for El Paso County and the State are not seasonally adjusted.

(2) March 2016 figures for El Paso County and the State are preliminary.

Sources: State of Colorado, Department of Labor and Employment, Labor Market Information, Labor Force Data and United States Department of Labor, Bureau of Labor Statistics.

The following table sets forth the number of individuals employed in selected industries in El Paso County covered by unemployment insurance. The largest employment sector in El Paso County in 2014 was health care and social assistance (comprising approximately 14.0% of the county's work force), followed, in order, by retail trade, accommodation and food services, educational services, and professional and technical services. For the 12-month period ended December 31, 2014, total average employment in the County increased 2.2% as compared to the same 12-month period ending December 31, 2013, and average weekly wages increased 2.2% during the same time period.

Average Number of Employees Within Selected Industries – El Paso County

Industry	2010	2011	2012	2013	2014	2015 ⁽¹⁾
Accommodation and Food Services	23,991	25,169	25,552	26,725	27,088	28,470
Administrative and Waste Services	17,604	17,072	17,190	17,605	17,890	18,411
Agriculture, Forestry, Fishing, Hunting	175	217	200	209	249	306
Arts, Entertainment and Recreation	4,073	4,395	4,599	4,754	4,857	5,082
Construction	11,452	11,035	11,415	12,211	13,419	14,069
Educational Services	25,604	25,718	25,595	26,063	26,178	26,060
Finance and Insurance	10,766	10,815	11,026	11,618	11,611	11,597
Government	12,350	12,797	12,993	13,150	13,021	13,044
Health Care and Social Assistance	30,213	31,639	32,706	33,512	34,896	36,589
Information	7,487	7,699	7,678	7,333	7,267	7,035
Management of Companies/Enterprises	897	944	1,068	1,142	1,120	1,101
Manufacturing	12,498	12,571	12,824	11,447	11,854	11,742
Mining	143	156	183	149	96	94
Non-classifiable	9	14	24	26	32	49
Other Services	8,878	8,770	9,068	9,330	9,693	10,272
Professional and Technical Services	21,343	20,934	20,122	21,771	22,097	22,766
Real Estate, Rental and Leasing	4,006	4,005	3,992	4,062	4,070	4,261
Retail Trade	28,470	29,218	29,296	30,109	30,971	31,483
Transportation and Warehousing	4,856	4,789	4,814	4,677	4,827	5,025
Utilities	2,632	2,612	2,592	2,482	2,461	2,450
Wholesale Trade	4,780	4,700	4,746	4,924	5,004	5,194
Total ⁽²⁾	<u>232,225</u>	<u>235,266</u>	<u>237,682</u>	<u>243,299</u>	<u>248,701</u>	<u>255,101</u>

(1) Figures are averaged through the third quarter of 2015.

(2) Figures may not equal totals when added due to the rounding of averages.

Source: State of Colorado, Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW).

Major Employers

The following tables set forth a brief description of the major private and public employers located in El Paso County. No independent investigation has been made regarding these major employers. Therefore, there can be no representation as to whether or not such employers will retain their status as major employers in the County.

Top Twenty Private Employers in El Paso County – January 2016

<u>Employer</u>	<u>Product or Service</u>
United Services Automobile Association	Regional policy service
Progressive Insurance Company	Insurance customer support; data center
The Broadmoor Hotel	Hotel/resort
Lockheed Martin Corporation	Advanced technology systems integrator
Atmel Corporation	Design and manufacture digital memory
Northrop Grumman Corporation	Marketing for government contracts
Comcast	Cable television; digital cable and voice service
Xerox	Customer service
Compassion International	Christian child advocacy ministry
Hewlett Packard Enterprise	Storage engineering; sales/marketing; data center
DePuy Synthes Companies of Johnson & Johnson	Manufacture orthopedic implants
Verizon Enterprise Solutions	Software campus
T. Rowe Price Associates, Inc.	Financial services-customer support center
Wells Fargo	Financial services
Time Warner Cable	Customer service
Alorica	Customer service
Colomex, Inc.	Restaurant services (Taco Bell)
Harris Corporation	Information technology
Oracle America, Inc.	Customer support center
Colorado College	Higher education – 4 year

Source: Colorado Springs Regional Business Alliance.

Top Twenty Public Employers in El Paso County – January 2016

<u>Employer</u>	<u>Product or Service</u>
Fort Carson	Military installation
Peterson Air Force Base	Military installation
United States Air Force Academy	Higher education – 4 year
El Paso County School District #11 – Colo. Springs	Public education K-12
Memorial Hospital-UCHealth	Hospital/healthcare
El Paso County School District #20 – Air Academy	Public education K-12
Penrose-St. Francis Health Services	Hospital/healthcare
Schriever Air Force Base	Military installation
City of Colorado Springs	City government
Colorado Springs Utilities	Four service utility provider
El Paso County	County government
University of Colorado at Colorado Springs	Higher education – 4 year
El Paso County School District #49 – Falcon	Public education K-12
El Paso County School District #2 – Harrison	Public education K-12
Beth-El College of Nursing	Higher education – 4 year
El Paso County School District #3 – Widefield	Public education K-12
Pikes Peak Community College	Higher education – 2 year
El Paso County School District #8 – Fountain/Fort Carson	Public education K-12
El Paso County School District #12 – Cheyenne Mountain	Public education K-12
Cheyenne Mountain Air Force Station	Military installation

Source: Colorado Springs Regional Business Alliance.

Retail Sales

Annual retail sales figures for the City, El Paso County and the State are set forth below. Retail sales have increased during each time period indicated.

Retail Sales
(in thousands)

<u>Year</u>	<u>City of Colorado Springs</u>	<u>Percent Change</u>	<u>El Paso County</u>	<u>Percent Change</u>	<u>Colorado</u>	<u>Percent Change</u>
2010	\$11,497,546	--	\$13,327,512	--	\$143,670,319	--
2011	11,944,487	3.9%	13,923,885	4.5%	154,697,943	7.7%
2012	12,493,019	4.6	14,547,073	4.5	164,387,648	6.3
2013	13,438,634	7.6	15,610,575	7.3	172,784,033	5.1
2014	14,319,865	6.6	16,692,794	6.9	182,481,821	5.6
2015 ⁽¹⁾	6,449,061	--	7,643,810	--	87,097,250	--

(1) Figures are through the second quarter of 2015.

Source: State of Colorado, Department of Revenue, “Sales Tax Statistics,” 2010-2015.

Current Construction

The following table sets forth the number of permits issued for both residential and commercial construction in El Paso County during the time period indicated.

Building Permits Issued for New Structures in El Paso County⁽¹⁾

<u>Year</u>	<u>Single Family</u>		<u>Multi-Family⁽²⁾</u>		<u>Commercial⁽³⁾</u>	
	<u>Permits</u>	<u>Value</u>	<u>Units</u>	<u>Value</u>	<u>Permits</u>	<u>Value</u>
2011	1,399	\$496,585,288	821	\$106,115,419	96	\$180,264,482
2012	2,216	801,352,986	767	108,456,822	151	122,188,512
2013	2,688	1,079,909,778	745	104,505,202	173	80,955,507
2014	2,433	1,032,039,203	1,090	153,369,996	149	133,047,797
2015	2,739	1,131,190,529	846	114,315,368	174	154,369,016
2016 ⁽⁴⁾	1,087	464,618,016	308	59,360,213	86	59,513,977

(1) Pikes Peak Regional Building Department issues permits for unincorporated El Paso County and for the municipalities of Colorado Springs, Fountain, Green Mountain Falls, Manitou Springs, Monument, and Palmer Lake.

(2) Includes townhouses, duplexes, condominiums, and multi-family buildings.

(3) Includes hotels, motels; amusement and recreation; manufacturing; offices, banks and professional buildings; and stores and other retail buildings.

(4) Figures are for January 1 through April 30, 2016.

Source: Pikes Peak Regional Building Department.

Foreclosure Activity

The following table sets forth the number of foreclosures filed in El Paso County during the time period shown. Such information only represents the number of foreclosures filed and does not take into account foreclosures which were filed and subsequently redeemed or withdrawn.

History of Foreclosures – El Paso County

<u>Year</u>	<u>Number of Foreclosures Filed</u>	<u>Percent Change</u>
2011	3,603	--
2012	3,354	(6.9)%
2013	1,861	(44.5)
2014	1,825	(1.9)
2015	1,470	(19.5)
2016 ⁽¹⁾	538	--

(1) Figures are for January 1 through April 30, 2016.

Sources: Colorado Division of Housing (2011 to 2015 figures) and El Paso County Public Trustee's Office (2016 figure).

TAX MATTERS

General Matters

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

Notwithstanding Bond Counsel's opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum taxable income 75 percent of the excess of such corporations' adjusted current earnings over their alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend on such owners' particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Bond Counsel is also of the opinion that, under existing State of Colorado statutes, to the extent interest on the Bonds is excludable from gross income for federal income tax purposes, such interest is excludable from gross income for Colorado income tax purposes and from the calculation of Colorado alternative minimum taxable income. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Colorado or any other state or jurisdiction.

Original Issue Premium

The Bonds that have an original yield below their respective interest rates, as shown on the cover of this Limited Offering Memorandum (collectively, the "Premium Bonds"),

are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Bonds that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

LEGAL MATTERS

Litigation

The Authority and its general counsel state that there is no pending action, suit, proceeding or investigation at law or in equity before or by any court, public board or body to which the Authority is a party, and to the best of their knowledge and information there is no action threatened against or materially affecting the Authority wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Bonds or the Authority's ability to perform its obligations under the Bond Resolution or the Indenture or carry out the transactions contemplated therein or in this Limited Offering Memorandum.

Sovereign Immunity

The Colorado Governmental Immunity Act, Title 24, Article 10, C.R.S. (the "Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the Authority, for injuries which lie in tort or could lie in tort. The Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including: the operation of a non-emergency motor vehicle owned or leased by the public entity; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment.

The maximum amounts that may be recovered under the Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$350,000; or (b) for an injury to two or more persons in any single occurrence, the sum of \$990,000; except in such instance, no person may recover in excess of \$350,000. The law provides for increases in those amounts every four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index.

The Authority may be subject to civil liability and damages including punitive or exemplary damages and it may not be able to claim sovereign immunity for actions founded upon various federal laws, or other actions filed in federal court. Examples of such civil liability include suits filed pursuant to 42 U.S.C. § 1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the Authority may be enjoined from engaging in anti-competitive practices which violate the antitrust laws. However, the Immunity Act provides that it applies to any State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

Approval of Certain Legal Proceedings

Legal matters relating to the issuance of the Bonds, as well as the treatment of interest on the Bonds for purposes of federal and State income taxation, are subject to the

approving legal opinion of Kutak Rock LLP, Denver, Colorado, as Bond Counsel. Such opinion will be dated as of and delivered at closing. Certain legal matters pertaining to the organization and operation of the Authority will be passed upon by its general counsel, Kraemer Kendall Rupp Deen Neville LLC, Colorado Springs, Colorado. Legal fees to Bond Counsel and to Butler Snow LLP, counsel to the Underwriter are contingent upon the sale and delivery of the Bonds.

Certain Constitutional Limitations

In 1992, the voters of Colorado approved a constitutional amendment which is codified as Article X, Section 20, of the Colorado Constitution (the Taxpayers Bill of Rights or “TABOR”). In general, TABOR restricts the ability of the State and local governments to increase revenues and spending, to impose taxes, and to issue debt and certain other types of obligations without voter approval. TABOR generally applies to the State and all local governments, including the Authority (“local governments”), but does not apply to “enterprises,” defined as government-owned businesses authorized to issue revenue bonds and receiving under 10% of annual revenue in grants from all state and local governments combined. In addition, Colorado courts have determined that TABOR does not apply to urban renewal authorities such as the Authority. The application of TABOR to the City, however, could impact the amount of Incremental Sales Tax Revenue received by the Authority, and the application of TABOR to the School District and other local governments which overlap the Urban Renewal Area could impact the amount of Incremental Property Tax Revenue received by the Authority.

Because some provisions of TABOR are unclear, litigation seeking judicial interpretation of its provisions has been commenced on numerous occasions since its adoption. Additional litigation may be commenced in the future seeking further interpretation of TABOR. No representation can be made as to the overall impact of TABOR on the future activities of the City, the School District, or other local governments.

Voter Approval Requirements and Limitations on Taxes, Spending, Revenues, and Borrowing. TABOR requires voter approval in advance for: (a) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase, extension of an expiring tax, or a tax policy change causing a net tax revenue gain; (b) any increase in a local government’s spending from one year to the next in excess of the limitations described below; (c) any increase in the real property tax revenues of a local government from one year to the next in excess of the limitations described below; or (d) creation of any multiple-fiscal year direct or indirect debt or other financial obligation whatsoever, subject to certain exceptions such as the refinancing of obligations at a lower interest rate.

TABOR limits increases in government spending and property tax revenues to, generally, the rate of inflation and a local growth factor which is based upon, for school districts, the percentage change in enrollment from year to year, and for non-school districts, the actual value of new construction in the local government. Unless voter approval is received as described above, revenues collected in excess of these permitted spending limitations must be rebated. Debt service, however, including the debt service on the Bonds, can be paid without regard to any spending limits, assuming revenues are available to do so. TABOR’s tax increase limitations could cause the School District’s (and other local governments imposing a property tax) property tax revenues to decrease if the assessed valuation of taxable real property in the

School District or other applicable entity should decline, absent voter approval to increase the property tax mill levy as explained above.

Other Limitations. TABOR also prohibits new or increased real property transfer tax rates and local government income taxes. TABOR allows local governments to enact exemptions and credits to reduce or end business personal property taxes; provided, however, the local governments' spending is reduced by the amount saved by such action. With the exception of K-12 public education and federal programs, TABOR also allows local governments (subject to certain notice and phase-out requirements) to reduce or end subsidies to any program delegated for administration by the general assembly; provided, however, the local governments' spending is reduced by the amount saved by such action.

NO RATINGS

The Authority has not submitted, and does not intend to submit, an application to any securities rating agency with respect to the Bonds. See "RISK FACTORS."

INDEPENDENT AUDITORS

The basic financial statements of the District as of December 31, 2014, and for the year then ended, included in this Official Statement as Appendix A, have been audited by Dazzio & Associates, PC, Certified Public Accountants, Centennial, Colorado, as stated in the report appearing therein.

UNDERWRITING

D.A. Davidson & Co., Denver, Colorado (the "Underwriter") has agreed to purchase the Bonds from the Authority under a Bond Purchase Agreement at a purchase price equal to \$_____ (which is equal to the par amount of the Bonds less Underwriter's discount of \$_____). The Underwriter is committed to take and pay for all of the Bonds if any are taken.

LIMITED OFFERING MEMORANDUM CERTIFICATION

The preparation of this Limited Offering Memorandum and its distribution have been authorized by the Authority. This Limited Offering Memorandum is hereby duly approved by the Authority as of the date on the cover page hereof.

COLORADO SPRINGS URBAN RENEWAL AUTHORITY

By _____
Chair

APPENDIX A

**AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2015**

APPENDIX B

BOOK ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as

may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest or redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Registrar and Paying Agent. Under

such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX D
FORM OF BOND COUNSEL OPINION

APPENDIX E
FORM OF INDENTURE

APPENDIX F
CLIFTON REPORT

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