

MEMORANDUM OF UNDERSTANDING

THIS MEMORANDUM OF UNDERSTANDING (the "Memorandum"), dated January 15th, 2009, by and between the **COLORADO SPRINGS URBAN RENEWAL AUTHORITY**, a body corporate organized and existing as an urban renewal authority under the laws of the State of Colorado (the "Authority") and the **CITY OF COLORADO SPRINGS, COLORADO**, a municipal corporation organized and operating as a home rule city under the laws of the State of Colorado (the "City").

WITNESSETH:

WHEREAS, the Authority entered into an Indenture of Trust dated as of February 1, 2008 (the "Original Indenture") with UMB Bank, N.A., as trustee (the "Trustee") pursuant to which the Series 2008 Bonds were issued by the Authority; and

WHEREAS, the Authority has determined that the dollar figure of \$421,682.48 provided as the Sales Tax Base Amount as of the Closing Date for the Series 2008 Bonds was erroneously high due to the inadvertent addition of the sales tax received by the City for Trails, Open Space and Parks and the Public Safety Sales Tax Fund, which addition was inconsistent with the methodology provided in the Indenture for calculating the Sales Tax Base Amount; and

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Master Indenture, and

WHEREAS, the City and the Authority entered into a Cooperation Agreement Dated June 12, 2007 in which the City agreed to allocate and pay the Authority certain Sales Tax Incremental Revenues collected in the Project Area, and

WHEREAS, certain terms in the Cooperation Agreement may not be clear and the obligation of the City needs to be clarified.

NOW, THEREFORE, BE IT AGREED BY THE AUTHORITY AND THE CITY AS FOLLOWS:

1. The City hereby represents, warrants and acknowledges to the Authority as follows:

(a) the City represents and warrants that the correct Sales Tax Base Amount for the Series 2008 Bonds as of the Closing Date (the "Correct Sales Tax Base Amount") should have been \$375,603.37;

(b) the City acknowledges that the letter from the City dated October 8, 2007 and attached hereto as Exhibit A is superseded by this Memorandum, and the City acknowledges the amount of \$421,682.48 referred to in such letter should be \$375,603.37; and

(c) the City acknowledges that the Authority is amending the Original Indenture to reflect the Correct Sales Tax Base Amount as set forth herein.


2. The Authority hereby agrees to repay to the City \$158,474.41 in Incremental Sales Tax Revenue it has erroneously received due to the inclusion therein of amounts derived with respect to the sales tax for Trails, Open Space and Parks and the Public Safety Sales Tax. Such payment plus 5% interest compounding annually from September 1, 2008, shall be made to the extent the Authority receives amounts free and clear of the Indenture pursuant to Section 5.01(m) of the Indenture from time to time.

3. The term "Sales Tax Increment Revenues" used in the Cooperation Agreement shall be determined based upon the portion of the total sales tax rate that the City can use for general fund purposes less a vendor fee paid to retailers as collecting agents for the City. Currently, the tax for general fund purposes is two percent.

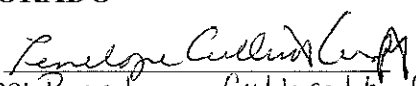
4. Any change in "the sales tax percentage levied," as that clause is used in Section 4 of the Cooperation Agreement means a change in the percentage of taxes levied that can be used for general fund purposes without consideration of any change in percentage of the tax rate for taxes that are designated, by the electorate, for one or more specific purposes. Accordingly, any change in the rate of the Public Safety Sales Tax rate, the Trails and Open Spaces Tax rate, or a change in tax rate resulting from the imposition (including any subsequent change in tax rate) of any other sales tax by the City that is restricted by the electorate for one or more specified purposes shall not be considered a change in "the sales tax percentage levied."

IN WITNESS WHEREOF, the undersigned parties, as of the date first written above, have caused this Memorandum to be duly executed and delivered by their proper and duly authorized officers or representatives.

**COLORADO SPRINGS
URBAN RENEWAL AUTHORITY**

By: 
Name: Brian D. James
Title: Chairperson

**CITY OF COLORADO SPRINGS,
COLORADO**

By: 
Name: Penelope Culbreth-Graft
Title: City Manager

[Signature Page to Memorandum of Understanding]