
RECORD OF PROCEEDINGS

Minutes of the Special Meeting Of the Board of Directors Cotton Ranch Metropolitan District May 28, 2013

A Special Meeting of the Board of Directors of the Cotton Ranch Metropolitan District, Eagle County, Colorado, was held on May 28, 2013 at 1:00 p.m., at the offices of Robertson & Marchetti, P.C., 28 Second Street, Suite 213, Edwards, Eagle County, Colorado, in accordance with the applicable statutes of the State of Colorado.

Attendance The following Directors were present and acting:

- Chris Meister
- Beric Christiansen
- Tom Pohl
- Chris Sauro
- Bob Rulon (By Telephone)

Also in attendance were:

- Zach Bishop, D. A. Davidson & CO. (By Telephone)
- Tom Peltz, Kutak Rock (By Telephone)
- Saranne Maxwell, Kutak Rock (By Telephone)
- Mike Serra III, The Pauls Corp (By Telephone)
- Ken Marchetti, Robertson & Marchetti, P.C.
- Cheri Curtis, Secretary for the Meeting

Call To Order

The Special Meeting of the Board of Directors of the Cotton Ranch Metropolitan District was called to order by Director Meister on May 28, 2013 at 3:00 p.m. noting a quorum was present.

Disclosure of Potential Conflicts of Interest

The Board discussed the requirements pursuant to the Colorado Revised Statutes to disclose any potential conflicts of interest or potential breaches of fiduciary duty to the Board of Directors and to the Secretary of State. Director Meister requested that members of the Board disclose any potential conflicts of interest regarding any matters scheduled for discussion at this meeting.

It was noted that there had been filed with the District and Secretary of State a disclosure of potential conflict of interest statement for Chris Meister and that the statement had been filed in accordance with statute, indicating that Mr. Meister is the owner of Meister Builders, Inc., a building, operations and management firm and this company provides services to the District managing and operating the

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District's raw water irrigation system. The Board noted, for the record, that this disclosure is restated at this time with the intent of fully complying with laws pertaining to personal conflicts.

Consideration of Changes to the

Agenda There were no changes to the meeting agenda.

Minutes The Board reviewed the Minutes of the May 14, 2013 meeting. After discussion and by motion duly made and seconded it was unanimously

RESOLVED to approve the May 14, 2013 minutes with revisions.

Potential Bond

Refinancing At the May 14, 2013 Board meeting Zack Bishop with D. A. Davidson presented several options for consideration by the Board regarding restructuring or refinancing the existing bonds. The Board requested Mr. Bishop work with Mr. Marchetti to prepare a presentation on the advantages and disadvantages of options 1, 2 and 4 presented at that meeting.

D.A. Davidson prepared a list of the advantages and disadvantages of each option that was included in the Board packet and reviewed by the Board. Mr. Marchetti prepared a financial analysis of the options, along with providing the present value cost to the District of each option. If the "Do Nothing" option is taken, the debt will be paid off sooner and there will be no costs of issuance or negative arbitrage. The disadvantages to doing nothing is the mill levy rate will increase to over 90 mills in 2014 which will adversely affect real estate values, property sales and future development.

Option 2 would be a negotiated extension of the debt, which would require approval of 50% the bond holders. Bank of New York holds 50% of the bonds so the approval of the beneficial owner of the bonds held by BNY could approve Option 2. The advantage of this option is the mill levy could be lowered to approximately 55 mills for 2014 and future years. There would be no negative arbitrage and the issuance costs would be less compared to a full refunding.

Option 4 does not require bond holders consent to refund the bonds and has the lowest mill levy rate. The disadvantages of this option are there would be \$625,000 of negative arbitrage and higher bond issuance costs. The Board expressed concerns with negative arbitrage.

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The Board asked Mr. Bishop if he had any contact with the Bank of New York. Mr. Bishop has not had any contact so the Board directed him to initiate contact with BNY. If Bank of New York is agreeable to extending the debt, only \$2.4M of the \$5.7M would be refinanced.

The Board questioned how the costs of issuing the bonds would be funded. Mr. Peltz indicated their cost would be similar between Options 2 and 4. Mr. Bishop suggested the cost of issuance could be paid with existing funds in the Debt Service Fund.

Director Christiansen discussed backing into the timeframe the District needs to re-issue bonds prior to the December 1, 2013 deadline when the District has to certify the mill levy and make the bond payment. Mr. Bishop stated it should only take three months to complete the bond refunding. Mr. Christiansen expressed concerns with rates increasing during the refunding process.

Mr. Bishop agreed to update the Board promptly upon receiving a response from Bank of New York.

Director Rulon, Mr. Bishop, Ms. Maxwell, and Mr. Peltz left the meeting at 3:45 p.m.

Mr. Marchetti reviewed the options presented, concentrating on the conversion of the subordinate bonds and the present values of the different alternatives.

Director Meister questioned why part of the bonds in option 4 would be taxable. Mr. Marchetti informed the Board that there is a tax requirement that bonds can only be refunded once as tax exempt bonds and since the District has already refunded a portion of the 2006 bonds, that portion would be taxable.

Director Meister questioned whether it would be advisable to include the portion of the 2002A bonds that converted to unlimited status in 2010 in this transaction. Mr. Marchetti responded that those bonds, although in unlimited tax status now, have over \$300,000 of unpaid accrued interest that would have to be paid if the bonds are refunded and so it is not feasible to refund those bonds at this time.

The Board reiterated their request that the District avoid negative arbitrage, if possible.

The next meeting is scheduled for July 9, 2013. The Board will obtain all information of the bond refunding prior to the next meeting to make an informed decision at that meeting.

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Adjournment

There being no further business to come before the Board and by motion duly made and seconded it was unanimously

RESOLVED to adjourn the Regular Meeting of the Cotton Ranch Metropolitan District Board of Directors this 28th day of May, 2013.

Respectfully submitted,



Cheri Curtis

Secretary for the Meeting