
RECORD OF PROCEEDINGS

Minutes of the Special Meeting Of the Board of Directors Cotton Ranch Metropolitan District May 31, 2017

A Special Meeting of the Board of Directors of the Cotton Ranch Metropolitan District, Eagle County, Colorado, was held on May 31, 2017 at 3:00 p.m., at the offices of Marchetti & Weaver, LLC, 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
- Craig Jagger
- Beric Christiansen

The following Directors were absent and excused:

- Chris Sauro
- Tom Pohl

Also in attendance were:

- Jonathan Heroux, Piper Jaffrey – Bond Underwriter (By Telephone)
- Tom Peltz, Kutak Rock – Bond Counsel (By Telephone)
- Matt Dalton, Spencer Fane – General Counsel (By Telephone)
- Ken Marchetti, Marchetti & Weaver, LLC
- 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 31, 2017 at 3:00 p.m. noting a quorum was present.

Disclosure of Potential Conflicts of Interest

The Board discussed the requirements pursuant to 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

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and this company provides services to the District managing and operating the 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.

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 Sauro and that the statement had been filed in accordance with statute, indicating that Mr. Sauro is a principal of Sunnyside Gardens, a landscaping firm and this company provides services to the District managing and operating the 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.

Changes to the

Agenda The discussion on the bond refunding was moved to the top of the agenda.

Potential Bond

Refunding Jonathan Heroux reviewed the refunding of the 2006, 2010 and 2013 Series Bonds with the Board. The net present value savings based on a 3.5% interest rate is \$794,762, or approximately 15%. Director Meister questioned whether the 2017 bonds would be rated. Mr. Heroux confirmed both the existing bonds and new bonds would not be rated.

The second scenario is to refund the 2002A Bonds, along with the 2006, 2010, and 2013 Series Bonds. It was noted the District would begin paying debt service immediately if the 2002A bonds are refunded currently whereas in their subordinate status no payments are expected for the next five years. The 2010 bonds are converted 2002A bonds and the unpaid interest from prior to conversion is not being included in the 2017 issue. Mr. Peltz suggested negotiating with the subordinate bond holders to redeem the 2002A subordinate bonds now but not the prior unpaid interest on those bonds.

Director Christiansen questioned whether it would be beneficial to approach the 2002A Bond Holders to see if they would be willing to redeem the bonds at a discounted rate. Mr. Marchetti indicated he is purchasing Mara Garton's bonds at \$545,000 and Vince Cook has already stated he is not interested in selling his bonds, although the Board could approach Mr. Cook again. Mr. Marchetti is willing to allow the Board to purchase Ms. Garton's bonds, if desired.

Mr. Peltz reviewed the Bond Resolution with the Board. Director Christiansen questioned the terms in the Resolution and suggested adjusting the terms to be more closely tied to the expected rates.

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Engagement Letters – The Board questioned compensation to the bond attorney. The compensation is based on the bonds closing and is estimated at approximately \$40,000.

The engagement letter with Piper Jaffrey was presented for approval and is 1% of the issued bonds. Director Meister requested a mill levy forecast for the length of the bond that will be provided by Mr. Marchetti and Mr. Heroux. Any excess in debt service taxes collected based on the minimum mill levy will be used to pay on the prior unpaid interest on the 2002A Bonds. Mr. Peltz recommends the District structure the repayment of the senior bonds so they are paid before the subordinate bonds unpaid interest is paid.

Mr. Marchetti presented the forecast mill levies and the 2002A bond conversions in future years based on current assessed value estimates. Director Meister questioned the District's ability to issue new bonds if the raw water irrigation system requires replacement. Mr. Peltz responded that the 2002A bond resolution restricts the District's ability to issue new bonds until the 2002A bonds have been paid off. Also, the District does not have remaining voter authorization to issue bonds for water purposes and will require voter authorization before issuing more bonds.

The Board agreed when the final interest rate is determined, the Board will only agree to refund if there is a minimum of a 7% savings to the District over the bond payoff period. The Board agreed to looking at the savings in regards to the principal only. Mr. Dalton opined the Board acted correctly and approved the action to refund the bonds. By motion duly made and seconded it was

RESOLVED to approve the 2017 Bond Resolution with paragraph 14D removed and with a minimum savings of 7%. The Board further

RESOLVED to approve the Piper Jaffrey Engagement Letter as presented.

The term sheet was review by Mr. Heroux with the Board. Mr. Heroux requested the Board review the term sheet to confirm the information is accurate.

Mr. Heroux will be distributing the term sheet to approximately 30 banks. Responses are expected on approximately June 16 with an expected Board meeting on June 20, 2017 to award the bond refunding.

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2016 Audit The 2016 draft audit was distributed to the Board. Mr. Marchetti would like to get clarification from Mr. Peltz on the footnote for authorized but issued bonds. Approval of the 2016 draft audit was tabled to next meeting.

Operations Director Meister informed the Board the Town of Gypsum is interested in providing the District with a turbine pump along with the labor to separate the District's irrigation system from the golf course irrigation system in Sky Legend. The District would need to provide a new mag meter. By separating the systems, it would provide the District the ability to reduce the pressure of the raw water irrigation system to possibly 80psi. The golf course system uses 120psi and it is more than required for the District's raw water system and more costly to operate and maintain.

The Board discussed the status of the system and the cost to replace the system. It was noted contractors are crushing the mainline and breaking the pipes when driving over them with heavy equipment. The Board discussed requiring a deposit to cover the cost of repairs, if necessary.

Minutes The Board reviewed the Minutes of the March 22, 2016 Special meeting. By motion duly made and seconded it was unanimously

RESOLVED to approve the March 22, 2016 Special Meeting minutes as presented.

Accounts Payable

The Board reviewed the May 2017 accounts payable lists. By motion duly made and seconded, it was

RESOLVED to approve the May accounts payable list, as presented.

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 31st day May, 2017.

Respectfully submitted,



Cheri Curtis
Secretary for the Meeting