OTTENJOHNSON
ROBINSON NEFF + RAGONETTI PC

December 12, 2013

THOMAS MACDONALD
303 575 7520
MAC@OTTENJOHNSON.COM

VIA E-MAIL AND U.S. MAIL

Art Trezise
Deputy County Attorney
Gunnison County Attorney's Office
200 East Virginia Avenue, Suite 262
Gunnison, CO 81230

Board of County Commissioners
Gunnison County, Colorado
200 E. Virginia, Suite 104
Gunnison, CO 81230

Re: Reserve Metropolitan District No. 2

Dear Commissioners and Mr. Trezise:

This firm represents Compass Mortgage Corporation ("Compass") in connection with a Loan Agreement by and among Reserve Metropolitan District No. 2 (the "District"), Compass, and U.S. Bank National Association ("Administrative Agent") dated as of May 22, 2008 (the "Loan Agreement"). We have provided a copy of the Loan Agreement to Mr. Trezise.

Pursuant to the Loan Agreement, Compass made a loan to the District in the principal amount of $18,400,000 (the "Loan"). The Loan is payable only from Pledged Revenue, which is defined in Article I of the Loan Agreement. Pledged Revenues includes moneys derived by the District from imposition of the Required Mill Levy, which is also defined in Article I. To paraphrase, the Required Mill Levy is an ad valorem mill levy sufficient to pay Estimated Debt requirements, but not to exceed a cap of 50 mills, as the cap may be increased in accordance with the Gallagher Amendment. Last year, the District imposed a mill levy of 52.676 mills for debt service on the Loan. The cap for 2014 is 56.073 mills.

Section 5.11(a) of the Loan Agreement obligates the District to impose the "Required Mill Levy," on all taxable properties within the District, and to promptly remit the moneys derived from the imposition of the Required Mill Levy to the Administrative Agent for immediate deposit into the Loan Payment Fund held at Compass Bank.

Section 5.11(b) of the Loan Agreement states as follows:

> (b) The foregoing provisions of this Agreement are hereby declared to be the certificate of the Board to the Board of County Commissioners of each county in which taxable real or personal property of the District is located,

> showing the aggregate amount of taxes to be levied from time to time, as required by law, for the purpose of paying the Annual District Requirements.

Despite these provisions, at a meeting on December 11, 2013, over the objection of two board members, three members of the District voted to approve a budget that imposed no mill levy for debt service of the Loan.

A copy of Compass' demand letter to the District is attached to this letter. As noted in that letter, Colo. Rev. Stat. § 32-1-1201 requires the Board of Directors of the District to "fix a rate of levy which, ... will raise the amount required . . . . . to pay in full, promptly, when due, all interest on and principal of bonds and other obligations of the special district."

Any certification delivered by the current Board of the District which does not certify a mill levy for debt service of the Loan directly violates Colo. Rev. Stat. § 32-1-1201 and is void. Compass therefore demands that the Board of County Commissioners, pursuant to Colo. Rev. Stat. § 39-1-111, act upon the certification provided in Section 5.11(b) of the Loan Agreement and with respect to the District certify a levy to the county assessor that includes 56.073 mills for debt service on the Loan.

Compass is mindful that the actions of certain District board members have placed you in a difficult position, but for the reasons set forth above, we believe that your statutory mandate is to give effect to the certification contained in Section 5.11(b) of the Loan Agreement and include a levy of 56.073 mills for debt service on the Loan in your certification to the assessor.

We appreciate your consideration of this matter.

Very truly yours,

Thomas Macdonald
for
OTTEN, JOHNSON, ROBINSON, NEFF & RAGONETTI, P.C.

JTM/mb
cc: James S. Bailey (By Email)
Jeffrey L. Driscoll (By Email)
Matt Chorske (By Email)
Jeff Gunter (By Email)
Peter McKernan (By Email)
Steve Geisler (By Email)
Bill Kyriagis (By Email)

1110085.1