

COLORADO CENTRE METROPOLITAN DISTRICT History Relating to Bankruptcy

CCMD was formed by Order and Decree Creating District entered February 6, 1984 in Case No. 83CV2487, El Paso County District Court.

CCMD is a quasi-municipal corporation and a political subdivision of the State of Colorado. CCMD was formed to provide water, wastewater, storm drainage, parks and recreation, mosquito control, fire protection, safety protection, television relay and translation, and street improvement services for a planned community. CCMD has 4,009 acres total, of which 3,672 acres are located within the City of Colorado Springs, and 337 acres located within unincorporated El Paso County.

The first Board of Director's meeting took place on February 11, 1984. The original Board of Directors was:

1. Leon M. Bronfin
2. Karen J. Bronfin
3. Patrick D. Broe
4. Paula A. Broe
5. Gerald J. Bronfin

Leon M. Bronfin was the major property owner of Colorado Centre Metropolitan District at this time.

In **1984**, CCMD issued 5.765 million of General Obligation Bonds, Series 1984, dated June 1, 1984. The bond proceeds were used to pay for initial start-up expenses for CCMD and initial property improvements within the CCMD area.

In **1985**, CCMD issued \$9.9 million of General Obligation Refunding and Building Bonds, Series 1985, dated March 1, 1985. The bond proceeds refunded the Series 1984 bonds and provided additional funds for CCMD improvements and operations.

In **1986**, CCMD issued \$6.36 million of General Obligation Bonds, Series 1986, dated April 1, 1986. These bond proceeds were used to pay \$3.68 million in Bond Anticipation Notes and for other CCMD operations.

In **1987**, CCMD issued \$9.5 million of General Obligation Bonds, Series 1987, dated December 14, 1987. These bond proceeds helped CCMD acquire and construct, in part, service facilities for water, wastewater, storm drainage, fire and safety, roads and various other facilities and improvements within the CCMD area.

Most of the undeveloped land within CCMD was sold to Aries Colorado Centre, Ltd. ("Aries") in October 1986. Aries used financing from Western Savings & Loan

("Western Saving") to make the purchase, make bond debt service payments and fund CCMD operations.

Colorado's real estate market collapse began approximately in 1985 and ultimately caused the majority of the property within CCMD to fall into receivership. In August 1989, Aries conveyed all of its property to Western Savings. Subsequently Western Savings was declared insolvent by bank regulators and placed into a conservatorship. The Resolution Trust Corporation ("RTC") was appointed receiver for Western Savings & Loan on May 31, 1990, which effectively put RTC in control of almost all undeveloped property within CCMD. Although CCMD operation payments were made, a December 1, 1989 bond debt service payment was not made and the bonds went into default.

After the default, CCMD certified a levy for 881 mills as required by the bond covenants to raise funds to pay the December 1, 1989 bond payment and 1990 bond payments. Knowing that the property owners could never pay such an exorbitant tax, the CCMD Board filed a Chapter 9 bankruptcy petition on December 5, 1989.

The Bankruptcy Court approved CCMD's plan on March 17, 1992. The creditors were divided into classes, with the largest class consisting of the bondholders. Class 1 administrative claims were paid in full, while Class 3 unsecured creditors received 12.5% of the total amount of allowed claims. Class 4 claims for holders of Revenue Anticipation Notes, or RANs, distributed \$100 pro rata. Finally, Class 5 claims distributed pro rata 60% of any funds remaining after payment of Class 1, 3 and 4 claims, and Class 2 claims distributed any remainder thereafter on a pro rata basis.

In general, new bonds were issued in a total principal amount of \$12.665 million to retire the previously issued Series 1985, 1986 and 1987 bonds. The new bonds were issued in two series as follows: Series A bonds with a principal value of \$3 million, and Series B bonds with a principal value of \$9.665 million.

The approved plan and associated new bond resolution adopted by CCMD require that "pledged revenue" consisting of tap fees, taxes collected to pay the "annual installment" and taxes revenues collected from the "Development Levy" to be deposited into a debt service fund to make annual payments on the new bonds. The order of payment on the new bonds is as follows: (1) Series A interest only; (2) escrow to purchase Federal securities to pay the Series A principal only; (3) Series B interest; and (4) prepayment or payment of Series B principal.

CCMD must use any tap fees it collects and tax revenues to make the annual installment payments required on the 1992 bonds for interest only. However, CCMD may use revenue collected under the 20 mills to pay operational expenses before any deposit of mill revenue into the debt service fund is required. CCMD typically makes annual interest-only payments towards the new bonds in the amount of \$264,950 from funds received from the annual mill levy and the development levy. CCMD is not, and has never been, in default on the new 1992 bonds.

Under Section 301 of the new bond resolution, so long as CCMD pays into the debt service fund as required it shall not be considered in default on the new bonds. In the event CCMD does not contain 1,500 single-family residences by the maturity date of the Series A bonds, or January 1, 2032, CCMD has no further obligation to make any additional payments on the new bonds except to the extent of amounts then on deposit with the debt service fund or other funds pledged by CCMD and received prior to January 1, 2032. After January 1, 2042, CCMD has no further obligation to make any payments toward unpaid principal or interest on the new bonds, except for amounts then on deposit with the debt service fund or other funds pledged by CCMD and received prior to January 1, 2042.

In sum, the bankruptcy plan obligations can terminate as early as January 1, 2032, and in no event will these obligations terminate later than January 1, 2042.