



Granby Ranch Metropolitan District
Granby Ranch Metropolitan District No. 8
Headwaters Metropolitan District
Granby Realty Holdings, LLC

October 21, 2016

Update Regarding Granby Ranch Debt and Operations for 2017 and the Future

Dear Granby Ranch Community Member,

As we head into 2017, the entities that are involved with the development, operations and maintenance of Granby Ranch are writing to provide you with an update on planned changes in Granby Ranch regarding your property taxes, road maintenance, and snow removal.

These changes will be discussed at the following upcoming meetings open to the public:

- *Granby Ranch Information and Question & Answer Meeting*
October 28, 2016 at 4:30 p.m. at Ranch Hall located in the base area at Granby Ranch following the Granby Ranch Conservancy and Residential Association Meeting
- *Town of Granby – Board of Trustees Meeting*
November 8, 2016 at 6:00 p.m. at Granby Town Hall, Zero Jasper Ave., Granby, CO 80446
- *Granby Ranch Metropolitan District Board of Directors Meeting*
November 11, 2016 at 2:00 p.m. at Granby Town Hall, Zero Jasper Ave., Granby, CO 80446

The Developer of Granby Ranch is Granby Realty Holdings, LLC (“GRH”). Ms. Marise Cipriani is the Principal and Founder of GRH, and she has been working on the development of Granby Ranch into a residential, ski and golf-community since GRH purchased the property in 1995.

To assist with the development of Granby Ranch, a number of local government entities were created, including Headwaters Metropolitan District (“HMD”), Granby Ranch Metropolitan District (“GRMD”), and Granby Ranch Metropolitan District No. 8 (“GRMD No. 8”) (the “Special District Entities”). These entities provide funding for the construction, operation and maintenance of the public improvements within Granby Ranch, including the roads.

Like most governments, the Special District Entities are governed by an elected Board of Directors consisting of residents and property owners within their boundaries, and they raise money for their governmental purpose through the imposition of property taxes. Almost all of the residential property within Granby Ranch is located within the boundaries of GRMD.

{00247486}

In 2006, GRMD issued bonds in the amount of \$14.725 million at an annual interest rate of 6.75% (the “2006 Senior Bonds”). To pay for these bonds, GRMD promised to levy property taxes on the property in its boundaries. At the time the 2006 Senior Bonds were issued, the property that today is located in GRMD No. 8 was also located within GRMD.

In 2010, GRMD issued a second set of bonds in the amount of \$11.119 million at an annual interest rate of 6.75% (the “2010 Subordinate Bonds”). The 2010 Subordinate Bonds were second in priority to the 2006 Senior Bonds, so that payment on the 2010 Subordinate Bonds would only occur after payment on the 2006 Senior Bonds occurred. With accrued interest, the amount owed on the 2010 Subordinate Bonds currently exceeds \$17 million.

From at least the time of issuance of the 2006 Senior Bonds to the present, HMD provided operation and maintenance of the public improvements in Granby Ranch, including road maintenance and snow removal, funded primarily through cash contributions from GRH.

Due to the real estate crash in late 2008, the value of the real property within Granby Ranch dropped significantly and has yet to fully recover. Because the Special District Entities rely primarily on property tax revenue to pay for their expenses, including the payments on the GRMD bonds, all of the Special District Entities suffered significant drops in their revenue. To make up for this shortfall, GRH has been paying for many of the operation obligations of the Special District Entities since 2010.

With the current recovery of the real estate market and historically low interest rates, GRH and the Special District Entities are in a position to take significant steps to improve the long-term financial health of the Special District Entities and to allow for the continued development and success of Granby Ranch. Since late 2015, GRH, GRMD, HMD and GRMD No. 8 have been working together to create a long-term plan for achieving these goals.

The centerpiece of this plan is addressing the existing GRMD debt represented by the 2006 Senior Bonds and the 2010 Subordinate Bonds, and identifying a more permanent source of funding for road maintenance and snow removal. GRMD, with the cooperation of GRH, has been working with a bond underwriter, Piper Jaffray, to develop a plan for the refinancing of the GRMD debt. Under the plan, GRMD will be able to refinance its 2006 Senior Bonds at a significantly lower interest rate and at a reduced principal amount, and to raise money for its operation and maintenance costs, including snow removal. As part of the refinancing, GRH offered, and it was agreed to by the parties, a complete release of the 2010 Subordinate Bonds and to use funds previously pledged as security for the 2006 Senior Bonds to fund major road repairs within Granby Ranch to meet the road standards set by the Town of Granby, with those repairs expected to be complete by the winter of 2017.

The plan is as follows:

Current Debt Obligations

2006 Senior Bonds

Outstanding Principal Amount	\$13,520,000
Annual Interest Rate	6.75%
Term	30 years (2006-2036)
Annual Principal and Interest Payment (Next three years)	2017: \$1,232,350 2018: \$1,229,400 2019: \$1,125,100
GRMD Mill Levy	2016: 55.541

2010 Subordinate Bonds

Outstanding Principal Amount and Interest	Approx. \$17,000,000
Annual Interest Rate	6.75%
Term	40 years (2010-2049)
Annual Principal and Interest Payment	No payments being made
GRMD Mill Levy	2016: No Payments being made

Proposed Debt Obligations

2016 Bonds (All Numbers Estimated as of Oct. 3, 2016)

Principal Amount	\$11,680,000
Annual Interest Rate (Average)	5.0%
Term	30 Years (2016-2046)
Annual Principal and Interest Payment (First Three Years)	2017: \$606,711 2018: \$654,000 2019: \$600,500
GRMD Mill Levy	2017: 40 (estimated)

Total Debt Savings

Principal	Reduction of \$1,840,000
Annual Interest Rate	Reduction of 1.75%
Annual Principal and Interest Rate	2017: Savings of \$625,638 2018: Savings of \$575,400 2019: Savings of \$524,600
Total Present Value Savings over Life of Bond	\$1,885,130
Discharge of 2010 Subordinate Bonds	\$17,000,000 (approx.)
TOTAL DEBT SAVINGS	\$18,885,130

With the significant savings obtained through the refunding of the 2006 Senior Bonds and the discharge of the 2010 Subordinate Bonds, GRMD is once again able to participate in the costs of the road maintenance and snow removal. Based on the 2017 budget for these expenses, GRMD's share of these costs is estimated to be \$190,212. Coupled with its estimated administrative costs, GRMD estimates 2017 operating expenses (exclusive of debt service) to be \$261,000. To generate sufficient funds to provide for these expenses, GRMD requires property tax revenue equal to 20 mills for 2017.

As budgeted, GRMD requires a total 2017 mill levy of 60 mills, which is an increase of 4.459 mills from 2017, or approximately an 8.1% increase in the taxes paid to GRMD.

For an estimate of what this increase means to you, please see the following charts:

GRMD Property Tax Amount for Residential Home at 55.541 Mills				
Market Value for Taxes	Assessed Value (7.96%)	Total Mill Levy	Annual Tax Amount	Monthly Amount
\$300,000	\$23,880	55.541	\$1,326.32	\$110.53
\$400,000	\$31,840	55.541	\$1,768.43	\$147.37
\$500,000	\$39,800	55.541	\$2,210.53	\$184.21
\$600,000	\$47,760	55.541	\$2,652.64	\$221.05
\$700,000	\$55,720	55.541	\$3,094.74	\$257.90

GRMD Property Tax Amount for Residential Home at 60 Mills					
Market Value for Taxes	Assessed Value (7.96%)	Total Mill Levy	Annual Tax Amount	Monthly Amount	Monthly Increase
\$300,000	\$23,880	60.00	\$1,432.80	\$119.40	\$8.87
\$400,000	\$31,840	60.00	\$1,910.40	\$159.20	\$11.83
\$500,000	\$39,800	60.00	\$2,388.00	\$199.00	\$14.79
\$600,000	\$47,760	60.00	\$2,865.60	\$238.80	\$17.75
\$700,000	\$55,720	60.00	\$3,343.20	\$278.60	\$20.70

This change in taxes is paid by all taxable property owners in GRMD, including GRH, and is essential to allow GRMD and its residents to save over \$18.8 million in debt payments.

The revenue generated from the change of 55.541 mills to 60 mills was previously approved by the GRMD electorate in 2003, so no additional election is required. However, approval of the change is required from the Board of Trustees of the Town of Granby.

GRH and the Special District Entities have been working with the Town of Granby to prepare the appropriate documents to allow for this change in the mill levy.

While GRMD anticipates that it will need to levy the entire 60 mills for 2017, this 60 mills is a maximum amount, and GRMD may be able to reduce this amount in future years as allowed by its budget and debt service obligations.

The requested change in the mill levy will be considered by the **Board of Trustees of the Town of Granby on November 8, 2016 at 6:00 p.m. at Granby Town Hall, Zero Jasper Ave., Granby, CO 80446**. An information meeting will be held ahead of time on **Friday, October 28, 2016 at 4:30 p.m. at Ranch Hall** located in the base area at Granby Ranch following the Granby Ranch Conservancy and Residential Association Meeting. Finally, the **GRMD Board of Directors will meet on November 11, 2016 at 2:00 p.m. at Granby Town Hall, Zero Jasper Ave., Granby, CO 80446** to finalize its 2017 budget.

In summary, these are the anticipated changes for 2017:

1. Change in Granby Ranch Metropolitan District property tax mill levy from 55.541 mills to 60 mills for 2017;
2. Through a debt restructuring to be completed before the end of 2016, the reduction in outstanding Granby Ranch Metropolitan District debt from over \$30 million to \$11.1 million;
3. GRMD receipt of a cash contribution of \$75,000 from GRH, plus a short term, zero interest bridge loan of \$100,000 for 2017 operation and maintenance costs;
4. Inclusion of future Granby Ranch Filing Nos. 17 and 18 into GRMD for additional tax base; and
5. Effecting shared costs of road operations, maintenance and snow removal.

If you have questions you would like to submit prior to the October 28 meeting, please send them to Mr. Bob Blodgett, the GRMD manager, at Bob.Blodgett@claconnect.com or to Ms. Natasha Wall, President of the GRMD Board of Directors, at natashaw@denvermortgagecompany.com.

Pre-submitted questions will be addressed at the October 28 meeting and a summary of the questions and answers submitted and asked at the meeting will be available on www.granbyranchmd.org prior to the November 8 Board of Trustees meeting. In addition, additional comments can be provided to the GRMD Board of Directors at its meeting on November 11.

Thank you for your interest in the community and assistance in supporting this plan. GRH, GRMD, GRMD No. 8 and HMD have worked hard to craft this plan and are committed to the continued success of Granby Ranch.

Sincerely,

GRANBY REALTY HOLDINGS, LLC



Marise Cipriani, Manager

GRANBY RANCH METROPOLITAN DISTRICT



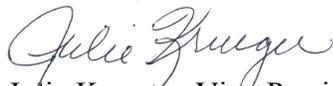
Natasha Wall, President of the Board of Directors

HEADWATERS METROPOLITAN DISTRICT



Lance Badger, President of the Board of Directors

GRANBY RANCH METROPOLITAN DISTRICT NO. 8



Julie Krueger, Vice-President of the Board of Directors