

GRANBY RANCH METROPOLITAN DISTRICT

May 8, 2018

Update Regarding Refinancing of Granby Ranch Debt and Operations for 2019 and the Future

Dear Granby Ranch Community Member,

Many changes and accomplishments have occurred over the last 18 months in Granby Ranch. The Board of Directors of the Granby Ranch Metropolitan District (“GRMD”), along with the real estate developer of Granby Ranch, Granby Realty Holdings, LLC (“GRH”), have been working hard to make changes for the betterment of the community and to lay the ground work for the next chapter in the life of Granby Ranch.

On May 3 of this year, GRMD completed a long-awaited refinancing of its senior bonds. The refinancing was the catalyst of almost two years of hard work by GRMD’s Board of Directors and their consultants, along with the help and cooperation of GRH.

Through the refinancing, GRMD was able to address many of the outstanding issues affecting Granby Ranch, including a reduction in payments required for the bonds, the discharge without payment of over \$17 million of principal and accrued interest owed on GRMD’s subordinate bonds, and receipt of over \$550,000 to assist with the repair of roads within Granby Ranch.

These results are positive outcomes for the community and position GRMD for continued success going forward.

1. Granby Ranch – History and Persons

For the benefit of those new to the community, or as a refresher for those who have lived or owned property in Granby Ranch for a while, a brief summary of the persons and history of Granby Ranch is provided:

a. 1995 to 2016

Granby Realty Holdings, LLC is the developer of Granby Ranch. GRH 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 governmental entities were created, including Headwaters Metropolitan District (“HMD”), 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 though the imposition of property taxes or fees. Almost all of the residential property within Granby Ranch is located within the boundaries of GRMD.

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 exceeded \$17 million at the end of 2016.

b. 2016 to 2018

Beginning in the middle of 2016, GRMD began negotiations with GRH, GRMD No. 8 and HMD to restructure the relationship between the entities, reduce GRMD’s outstanding debt, and to address the concerns of the Granby Ranch community.

These negotiations led to a comprehensive agreement between the parties, with the terms in the agreement conditioned upon the refinancing by GRMD of its 2006 Senior Bonds, which was accomplished on May 3, 2018 on the following terms:

2018 Bonds

| | |
|---|---|
| Outstanding Principal Amount | \$11,970,000 |
| Interest Rate | 4.875 to 5.5% |
| Term | 35 years (2018-2052) |
| Annual Principal and Interest Payment (Next three years, excluding 2018) | 2019: \$695,944 2020: \$718,750 2021: \$725,338 |
| GRMD Mill Levy for 2018 Bonds (estimated) | 47 mills |

Compared to the 2006 Senior Bonds:

| | 2006 Senior Bonds | 2018 Bonds | Reduction of: |
|---|---|---|---|
| Interest Rate | 6.75% | 4.875 to 5.5% | (1.25 to 1.9%) |
| Annual Principal and Interest Payments (Next three years, excluding 2018) | 2019: \$1,125,100 2020: \$1,161,200 2021: \$1,153,587 | 2019: \$695,944 2020: \$718,750 2021: \$725,338 | (\$429,156) (\$442,450) (\$428,249) |
| GRMD Property Tax Levy for bond payments | approx. 65 mills (insufficient to generate full payment obligation for 2006 Senior Bonds) | approx. 47 mills ¹ (projecting a 1% annual increase in property value) | (18 mills) |
| Present Value Savings (including release of 2010 Subordinate Bonds) | Savings of \$2,852,108 or 22.14% over life of bonds | | |
| Present Value Savings assuming we never had the 2010 bonds and just had the 2006 Bonds) | Savings of \$567,950 or 4.41% over life of bonds | | |

i. Results

As a result of the refinance, GRMD accomplished the following:

- discharge of the 2010 Subordinate Bonds and accrued interest without payment;
- payment of \$75,000 to GRMD’s operating account from GRH;
- pre-payment of \$250,200 in fees by GRH to GRMD to reduce the principal amount owed on the 2018 bonds;
- deposit of over \$550,000 from GRH to an account held in escrow by GRMD’s accountant, with those funds to be used solely for the repair of roads within Granby Ranch Filing Nos. 8 and 10;
- inclusion of additional property intended for future development into GRMD to provide an additional source of property tax revenue to GRMD for operations and debt service;

1 Actual mill levy may be lower for 2019 and 2020 due to use of funds previously collected for debt service. 47 mills reflects estimated mill levy required if there were no funds already available for debt service.

- commitment that GRH or subsequent developer will repair the roads within Granby Ranch Filing Nos. 8 and 10 no later than September 30, 2020 at no cost to the GRMD taxpayers;
- agreement among all of the special districts in Granby Ranch for the sharing of costs related to regular road maintenance and snow removal based on each district's assessed value;
- granting of a public access easement to all roads within Granby Ranch for the benefit of GRMD to eliminate any potential access concerns; and
- the operation of GRMD independent from and without reliance on any of the other districts and GRH.

c. 2019 and Beyond

For 2019 and beyond, due to the reduction in the payment required for GRMD's bonds, GRMD is in a position to fund its own operations, contribute to road maintenance and snow removal (to the extent not funded by the Granby Ranch Conservancy), and make decisions regarding future reserve funds and capital projects in GRMD.

Over the remainder of the year, the Board of Directors of GRMD, composed wholly of residents and property owners not affiliated with GRH, will plan for 2019 and beyond.

The Board of Directors of GRMD are:

- Steven Conrad (May 2018 – May 2022)
- Matt Girard (May 2018 – May 2022)
- Fran Mejer (May 2018 – May 2022)
- Natasha Wall (May 2016 – May 2020)
- Terry Walker (May 2016 – May 2020)

As always, meetings of GRMD are open to the public and everyone is encouraged to attend.

The next meeting is:

May 18, 2018 at 10:00 a.m. – Ranch Hall, 998 Village Road, Granby, CO 80446

For those that cannot attend in person but wish to call in:

Conference Dial In: 1-844-286-0635 / Access Code: 1950628

Thank you for your interest and support and for being a part of Granby Ranch.

Sincerely,

GRANBY RANCH METROPOLITAN DISTRICT

Natasha Wall
President, Board of Directors

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