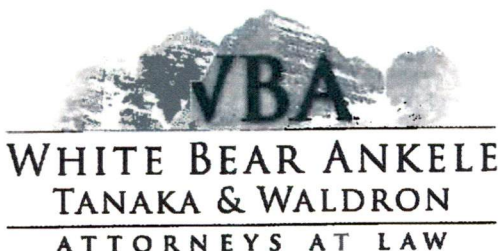


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September 8, 2017

**VIA EMAIL AND US MAIL**

Robert J. Slentz, City Attorney  
100 North Wilcox  
Castle Rock, CO 80104  
[BSlentz@crgov.com](mailto:BSlentz@crgov.com)

**RE: Crystal Valley Metropolitan District Nos. 1 and 2  
Proposed Series 2017 Add-On Refunding Loan  
Town Ordinance 11.02.110 – Review of District Financing**

Dear Bob:

As you are aware, in 2015, Crystal Valley Metropolitan District No. 2 ("District No. 2") issued its Limited Tax General Obligation Refunding Loan 2015 in the amount of \$17,100,000 (the "2015 Loan"). Currently District No. 2 and Crystal Valley Metropolitan District No. 1 ("District No. 1") (collectively, District No. 1 and District No. 2 are referred to as the "Districts") have debt outstanding in the principal amounts as set forth on **Exhibit A**. With the incurrence of an add-on loan to the existing 2015 Loan in the approximate amount of \$6,500,000 (the "2017 Add-On Loan"), District No. 2 can refund, in full, the remaining District No. 1 Limited Tax Supported Senior Subordinate Lien Revenue Bonds, Series 2004B (the "2004B Bonds"), which are currently outstanding in the principal amount of \$5,133,000 (proceeds of the 2017 Add-On Loan will also be used to fund a debt service reserve fund and pay costs of incurrence).

The 2017 Add-On Loan will be issued at an interest rate of approximately 3.08% (as of August 28, 2017) to refund the remaining 2004B Bonds which are currently outstanding at an interest rate of 9%. This interest rate reduction will result in a debt service savings of approximately \$320,000 per year. The incurrence of the 2017 Add-On Loan to refund the 2004B Bonds will mean that District No. 1 no longer has any outstanding debt. The longer term goal of the Districts is to refund the 2015 Loan and the 2017 Add-On Loan with long term, fixed rate bonds. Incurring the 2017 Add-On Loan at this time, creates flexibility with respect to the timing of the issuance of such bonds, thereby allowing District No. 2 to obtain favorable long term financing costs based on market conditions.

Pursuant to Section 11.02.110 of the Town of Castle Rock (the "Town") Municipal Code, the Districts are required to provide the Town with a submission regarding the proposed

financing. To that end, at **Exhibit B**, we have included a detailed financing plan, a term sheet from BBVA Compass for the 2017 Add-On Loan, and a Certification of District No. 2 that the incurrence is in compliance with the terms of the Amended Consolidated Service Plan for Crystal Valley Metropolitan District No. 1 and Crystal Valley Metropolitan District No. 2 as well as the First Amendment to Amended Consolidated Service Plan for Crystal Valley Metropolitan District Nos. 1 and 2.

We hereby request that the Town sign the attached Acknowledgement to confirm the Districts' compliance with Section 11.02.110 of the Municipal Code so that the incurrence of the 2017 Add-On Loan may proceed in a timely manner.

Sincerely,



Blair M. Dickhoner

cc: Crystal Valley Metropolitan District No. 1 Board of Directors  
Crystal Valley Metropolitan District No. 2 Board of Directors  
Samuel Sharp  
Brooke Hutchens  
Michael McGinnis

**EXHIBIT A**  
**Summary of Outstanding Debt**

**Crystal Valley Metropolitan District No. 1**

\$5,133,000 - Limited Tax Supported Senior Subordinate Lien Revenue Bonds, Series 2004B

**Crystal Valley Metropolitan District No. 2**

\$16,860,000 - Limited Tax General Obligation Refunding Loan 2015

\$28,370,000 – Limited Tax General Obligation Refunding Subordinate Bonds, Series 2014A

\$10,000,000 – Taxable Limited Tax General Obligation Refunding Subordinate Bonds, Series 2014B

**EXHIBIT B**  
**Financing Plan for Proposed 2017 Add-On Loan**  
**Term Sheet for Proposed 2017 Add-On Loan**  
**Service Plan Compliance Certification**



# BBVA Compass

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## CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2

### Summary of Non-Binding Terms and Conditions \$6,900,000 Tax Exempt Loan

August 3, 2017

**Borrower/Issuer:** Crystal Valley Metropolitan District No. 2 (the "District").

**Related Party:** Crystal Valley Metropolitan District No. 1 ("District No. 1").

**Lender:** BBVA Compass through its Compass Mortgage Corporation subsidiary (the "Lender").

**2015 Loan:** Means the loan made by the Lender to the District in the original principal amount of \$17,100,000 (the "2015 Loan") pursuant to that certain Loan Agreement, dated December 23, 2015, by and between the District and the Lender (the "2015 Loan Agreement"). *Unless otherwise defined herein or the context otherwise requires, capitalized terms used herein shall have the meanings set forth in the 2015 Loan Agreement.*

**Credit Facility:** Tax exempt, bank qualified loan (the "2017 Loan") in the principal amount of approximately \$6,900,000 (the "Loan Amount").

**Use of Loan Proceeds:** Proceeds from the Loan will be used to (i) pay and cancel the outstanding Series 2004B Bonds (par plus accrued interest) issued by District No. 1, (ii) fund the 2017 Reserve Fund to the 2017 Reserve Requirement (each as hereinafter defined), and (iii) pay the costs related to the issuance of the 2017 Loan.

**Closing Date:** Anticipated to be on or prior to September 1, 2017 (the "Closing Date").

**Maturity Date:** December 1, 2023 (the "Maturity Date").

**Interest Rates:** The 2017 Loan shall bear interest at a fixed rate per annum to be determined on the Pricing Date. As of August 3, 2017, the indicative fixed rate is 3.09%, which rate includes the option to prepay the 2017 Loan without penalty or premium on or after December 1, 2018. *The indicative fixed rate remains subject to change daily until the Pricing Date based on market fluctuations.*

**Pricing Date:** The date on which the District may lock the interest rate on the 2017 Loan, which shall be a date on or after which (i) the District has accepted this proposal in writing, (ii) the District has formally approved the 2017 Loan by way of formal resolution by the District board, and (iii) the District instructs the Lender in writing to lock the interest rate on such date. The indicative rates above are based on a rate lock occurring within 45 days prior to the Closing Date.

**Interest Payment Dates:** Interest shall be payable semi-annually on each June 1 and December 1, commencing on December 1, 2017.

**Principal Payment Dates:** Principal shall be paid annually on December 1 of each year, commencing on December 1, 2018 in accordance with the following anticipated amortization schedule:

Payment Date	Principal
12/1/2017	\$ -
12/1/2018	10,000
12/1/2019	160,000
12/1/2020	170,000
12/1/2021	175,000
12/1/2022	140,000
12/1/2023	6,245,000

<b>Prepayment Provisi</b>	<p>The District may, at its option, prepay the 2017 Loan in whole, or with the consent of the Lender, in part, on any date, at the applicable prepayment price as set forth below:</p> <p>(a) if prepaid prior to December 1, 2018, at a prepayment price equal to the sum of (i) the principal so prepaid, (ii) accrued interest thereon at the rate then borne by the 2017 Loan to the date of such prepayment, (iii) the Yield Maintenance Fee, if any, and (iv) the Prepayment Premium; and</p> <p>if prepaid on or after December 1, 2018, at a prepayment price equal to the sum of (i) the principal so prepaid and (ii) accrued interest thereon at the rate then borne by the 2017 Loan to the date of such prepayment.</p>
<b>Pledged Revenues:</b>	<p>(b) The 2017 Loan and all amounts due and payable to the Lender under the 2017 Loan Agreement shall be secured by and payable from the following (collectively, the "2017 Collateral"): (a) the Pledged Revenue (as such term is defined in the 2015 Loan Agreement) on parity with the lien thereof securing the 2015 Loan; (b) the 2017 Reserve Fund, including all investment earnings thereon; and (iii) all funds and accounts established and held in connection with the 2017 Loan, in which the Pledged Revenue securing the 2017 Loan is held.</p>
<b>Debt Service Reserve Fund:</b>	<p>On the Closing Date there shall be established a debt service reserve fund (the "2017 Reserve Fund") in an amount equal to 50% of maximum annual debt service on the 2017 Loan, which shall be funded with a portion of the proceeds of the 2017 Loan. The 2017 Reserve Fund shall secure the 2017 Loan and shall be held, invested and maintained with the Lender.</p>
<b>Application of Pledged Revenue:</b>	<p>All amounts representing Pledged Revenue deposited to the Revenue Fund, as provided in Section 3.02(a) of the 2015 Loan Agreement, shall be applied by the Lender to the payment of the 2017 Loan pursuant to Section 3.02(b) of the 2015 Loan Agreement as amended to accommodate (i) the payment of the 2017 Loan, (ii) the replenishment of the 2017 Reserve Fund and (iii) the payment of any other amounts due and owing the Lender under the 2017 Loan Agreement.</p>
<b>Additional Debt:</b>	<p>Other than the 2015 Loan and the 2017 Loan, the District shall not be permitted to issue any additional debt payable from or secured by the 2017 Collateral senior to or on parity with the 2015 Loan and the 2017 Loan without the prior written consent of the Lender.</p>
<b>Events of Default:</b>	<p>Events of default on the 2017 Loan shall include those events contained in Section 7.01 of the 2015 Loan Agreement (each an "Event of Default").</p>
<b>Default Rate:</b>	<p>Upon the occurrence of an Event of Default (except for an Event of Default arising out of a failure to pay the Loan in full on the Maturity Date), the 2017 Loan, if elected by the Lender, shall accrue interest at the Default Rate applicable to the 2017 Loan. Upon</p>



	the occurrence of an Event of Default arising out of failure to pay the 2017 Loan in full on the Maturity Date, the 2017 Loan shall accrue interest at the Post-Maturity Default Interest Rate.
<b>Event of Taxability:</b>	Upon the occurrence of a Determination of Taxability, the 2017 Loan, if elected by the Lender, shall accrue interest at the Taxable Rate applicable to the 2017 Loan.
<b>Reporting Requirements:</b>	Reporting requirements for the 2017 Loan shall include those contained in Section 5.07 of the 2015 Loan Agreement.
<b>Reps/ Warranties and Covenants:</b>	The 2017 Loan Agreement shall contain the same representations, warranties and covenants as those contained in Article IV and Article V of the 2015 Loan Agreement.
<b>Conditions Precedent:</b>	<p>The Lender's commitment to extend the 2017 Loan will be subject to the following conditions, all of which shall be in form and substance satisfactory to the Lender and Lender's counsel:</p> <ul style="list-style-type: none"><li>(i) formal credit approval of the 2017 Loan by the Lender;</li><li>(ii) any authorizing resolution(s) of the District as required for the issuance and repayment of the 2017 Loan;</li><li>(iii) opinions of counsel to the District as required by the Lender and Lender's counsel;</li><li>(iv) properly executed 2017 Loan Agreement and amendments to the 2015 Loan Agreement, as necessary, all in form and substance satisfactory to the Lender and Lender's counsel; and</li><li>(v) any other reasonable conditions following review of the transaction documents by Lender's counsel.</li></ul>
<b>Other Conditions:</b>	<p>The Loan shall be subject to the following additional conditions:</p> <ul style="list-style-type: none"><li>(i) the 2017 Loan shall not be registered or otherwise qualified for sale under the "Blue Sky" laws;</li><li>(ii) no CUSIP numbers will be obtained for the 2017 Loan;</li><li>(iii) no official statement or similar offering document shall be prepared in connection with the private placement of the 2017 Loan; and</li><li>(iv) Lender will sign an investor letter in form acceptable to Lender's counsel.</li></ul>
<b>Closing Costs:</b>	The District shall be responsible for all legal costs of Lender incurred in connection with the documentation and issuance of the 2017 Loan, which fees shall be payable on the Closing Date.
<b>Expiration:</b>	This term sheet shall expire by 5:00 p.m. on August 18, 2017 unless previously accepted by the District or extended by the Lender.

*This summary of indicative terms and conditions is not a commitment to lend, purchase or to provide any other service related to a financing. Any such commitment or undertaking will be issued only in writing to the District subject to appropriate documentation, the terms of which are not limited to those set forth herein. This summary of indicative terms and conditions is intended as an outline of certain of the material terms of a proposed financing and is not intended to summarize all of the conditions, covenants, representations, warranties and other provisions that would be contained in definitive loan documents, and is subject to, among other things, completion of due diligence and final credit approval by the Lender. Unless otherwise specifically provided herein, all other provisions contained in the 2015 Loan Agreement pertaining to the 2015 Loan shall also apply to the 2017 Loan and in connection with the proposed 2017 Loan, the existing 2015 Loan Agreement shall be amended as necessary to accommodate the issuance of the 2017 Loan and any specific terms and conditions of the 2017 Loan as outlined herein.*

*This communication is being provided to you for informational purposes only. Neither the Lender nor its affiliates or any of its representatives are recommending any action to the District. The Lender is not acting, and will not be acting, as a financial advisor or municipal advisor to the District, and does not owe the District a fiduciary duty or any other duty pursuant to Section 15B of the Securities Exchange Act of 1934, as amended, with respect to the information and material contained in this communication. The Lender is acting for its own interest, which may be different from that of the District. The District should discuss any information and material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this communication, including with respect to any legal, regulatory, tax or accounting treatment.*

*This term sheet is intended for the sole and exclusive benefit of the District and the terms and provisions of this correspondence are **confidential** and may not be disclosed by the District to any other person or entity; provided, however, the foregoing restrictions on disclosure shall not apply to disclosure(s) to the District's legal counsel or financial advisor(s) for purposes of advising the District with respect hereto and provided, however, that such counsel and financial advisor(s) agree to preserve the confidentiality of this correspondence.*

*Respectfully submitted,*

**BBVA COMPASS**



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*Agreed and Accepted:*

CRYSTAL VALLEY METROPOLITAN DISTRICT

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**CERTIFICATION TO THE TOWN OF CASTLE ROCK**  
**CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2**  
**2017 TAX EXEMPT ADD-ON LOAN**  
**\$6,500,000**

In accordance with the provisions of the Town of Castle Rock Municipal Code (the "Municipal Code"), Section 11.02.110, Crystal Valley Metropolitan District No. 2 (the "District") hereby certifies the following:

1. The District will be undertaking the incurrence of its 2017 Tax Exempt Add-On Loan in the aggregate principal amount of approximately \$6,500,000 (the "2017 Add-On Loan"), with an anticipated closing date in late October or early November of 2017. The term sheet and financial plan contain the dollar amount of the loan, the interest rate and other financing costs, and the types of revenues pledged, including the amount of the mill levy pledged. The 2017 Add-On Loan is a direct placement bank loan; therefore, there is no preliminary official statement or other prospectus for this incurrence.

2. The 2017 Add-On Loan is authorized by and in compliance with the Amended Consolidated Service Plan for Crystal Valley Metropolitan District No. 1 and Crystal Valley Metropolitan District No. 2 as well as the First Amendment to Amended Consolidated Service Plan for Crystal Valley Metropolitan District Nos. 1 and 2.

Certified to the Town of Castle Rock as of this 8<sup>th</sup> day of September, 2017.



Blair M. Dickhoner  
General Counsel for  
Crystal Valley Metropolitan District Nos. 1 & 2

**ACKNOWLEDGEMENT OF THE TOWN OF CASTLE ROCK  
IN CONNECTION WITH  
CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2  
2017 TAX EXEMPT ADD-ON LOAN  
\$6,500,000**

The Town hereby acknowledges that it has received the information submitted by Crystal Valley Metropolitan District No. 2 (the "District") in connection with the proposed 2017 Tax Exempt Add-On Loan in the approximate amount of \$6,500,000. The Town further acknowledges that such information has been submitted pursuant to Section 11.02.110 of the Town Ordinance and that the Town hereby deems the submittal sufficient with no further information required for the Town's review under the Town Ordinance.

The Town has reviewed the District submittal and has no comments thereon. The Town is in agreement with the provisions of the District submittal and it is hereby accepted as of this \_\_\_\_ day of \_\_\_\_\_, 2017.

By: \_\_\_\_\_

Its: \_\_\_\_\_