

A Way Forward for University Park's Future

August 28, 2019

The Goal

- Complete the acquisition/turnover supported by vast majority
- Avoid unnecessary costs associated with continued delay:
 - Minimize ongoing legal fees
 - Mitigate extra charges associated with Purchasing and Sales Agreement
 - Additional costs/risks of alternative purchase options (BAN)
- Remove uncertainty impacting property values/home sales
- Take advantage of historically low municipal bond rates
- End acrimony within the UP community

“Create A Way Forward To Ensure University Park’s Future”

Where We Are

Purchase and Sales Agreement

- Price of **\$16,975,000**

- \$46,000/month escalator charge -- \$138,000 to date with additional impact of \$138,000 if not resolved by year end. **Total of \$17,251,000**
- Current agreement expires 9/30/19 with automatic extension unless cancelled by either party.

Legal Landscape

- Trial date November 13th & 15th with anticipated bench verdict
- Although confident of position, always uncertainty
- Potential for appeals extending far into future (2020 or 2021)
- Current legal costs approx \$250,000 and expected to escalate significantly

Where We Are (Cont'd)

Costs/Risks of Alternative Financing (BAN)

- Additional cost of nearly \$600,000
- Minimal, yet inherent risks add to anxiety until bond validated

Historically Low Municipal Bond Rates

- Original Annual Assessments based on 4% rate
- Currently expect 3% or a 25% reduction in interest rate
- Potential savings of \$ millions over 30 years

Impact on Home Values, Home Sales

- Uncertainty has impacted both
- Anxiety for those who wish/need to sell

Acrimony

- Increasing tensions, frustration, anxiety and discord between and among residents

Where We Want to Be

- Complete the acquisition/turnover at the lowest cost possible
- Eliminate future unnecessary costs and delays
- Take advantage of historically low municipal bond rates
- Remove cloud of uncertainty and impact on property values & resale
- Put differences aside and return to our little slice of heaven!

Seeking Common Ground

- Initiated Negotiations Two Weeks Ago
- Parties involved: Richard Garrett & RD Board member and between RD Board member and John Neal, Charles Varah – then attorneys
- Required in-person meetings, phone conferences, emails, etc. involving countless hours
- Resulted in an agreement positioned between RD and each of the parties

Settlement Agreement

- Richard Garrett withdraws lawsuits, seeks support of those opposed to bond validation
- Bond validation moves forward to take advantage of favorable municipal bond rates (25% lower than original 4% estimate)
- John Neal, Charles Varah (representing Pasold family):
 - Eliminate \$46,000 monthly escalator clause – immediate \$138K savings now and total of \$251K savings if close by December
 - Reduced base price by \$225K -- \$16,975M to \$16,750M
 - Total reduction of \$501,000

Settlement Agreement (Cont'd)

- When acquisition complete, UPRD to cover 40% (\$160K) of R. Garrett's legal costs incurred to date
- Eliminates additional future legal costs estimated at \$250,000 to \$500,000
- Clears the way to pursue and secure Bond Validation
- Eliminates the possibility of similar future lawsuits – 1 year statute has passed several weeks ago

Settlement Agreement (Cont'd)

- **Bottom Line:**

- Reduced Purchase Price and eliminate Escalator Clause: \$501,000
- Eliminate Cost (risk) of BAN: \$588,000
- Increase RD reserves due to lower interest rate: \$400,000
- Reduced future legal costs (estimate): \$250,000
- Reimburse portion of Garrett's legal fees: (\$160,000)

Total: \$1,579,000

- **Other Financial Benefits:**

- Increasing bonds from \$23.310M to \$24M allows increase in reserves \$680,000
- Bond interest decrease saves over term of bonds or increases reserves annually \$5,000,000

Settlement Agreement (Cont'd)

- **Non-Quantifiable, But Critical Benefits:**
 - Constructive path and timeframe for completing acquisition
 - Removes cloud of uncertainty restraining property values, resale
 - Ensures acquisition and turnover supported by vast majority of residents
 - Offers end to acrimony and opportunity to bring community together

Next Steps

- Court to acknowledge withdrawal of all lawsuits
- Use set hearing dates to gain bond validation
- Slow down, curtail BAN activity
- Finalize Purchase and Sales agreement
- Initiate bond financing
- Complete acquisition and turnover process by November/December

Open issues be addressed:

- Remaining funds from \$1,000 assessment – refund or add to reserves
- Bond Validation – others have objected – will they withdraw objections
- Court date and decision on Bond Validation is central to expediting and securing bonds and completing the purchase
- Can residents make one time payment as opposed to annually on tax bill?
- What do I do if I haven't yet paid the \$1,000 assessment?

Appreciation

- To all parties involved for a willingness to do what is right for our community
- To John Neal and Charles Varah for their efforts to work with us through this process and, most recently, their willingness to modify the existing agreement
- To Rich Garrett for recognizing the unique opportunity to secure incredibly low interest rates and the resulting opportunity to increase our reserves by withdrawing the lawsuits
- To our entire legal team for their advice and counsel
- And most importantly, to the entire UP community for your involvement and commitment over the past 28 months.

The Way Forward for University Park

We all agree this is a unique community that we value and cherish. Today is the day for us to unite, rally and focus on building an even better University Park for all of us – now and forever in the future.