

Fossil Ridge Metropolitan Districts Settle Lawsuit with Brookfield

Resident Information Report and Status Update – February 2026

Summary

The ongoing lawsuit with the developer of Solterra, Brookfield Residential (and its subsidiary, Solterra LLC), was settled in April 2025. In the lawsuit, Brookfield demanded that Fossil Ridge Metropolitan Districts #1, #2, and #3 (collectively, FRMD) pay Brookfield \$31.870 million by issuing general obligation bonds. FRMD was able to settle all of Brookfield's claims and have the lawsuit dismissed by paying Brookfield \$23.5 million, which was funded by FRMD #3 through issuance of general obligation bonds. The settlement amount was less than FRMD's experts had determined FRMD owed Brookfield. Moreover, to take advantage of low interest rates, the bond issuance included an additional \$2 million for capital improvements within the community. Settling the lawsuit makes it easier to plan budgets, finance essential capital upgrades, and lay the groundwork for FRMD's long-term financial stability.

The Details

The multi-year lawsuit culminated with a settlement approved by FRMD's governing Boards. A comprehensive briefing for the Boards was provided in a public meeting, outlining the following agenda: the bond issuance itself, the disbursement of \$2 million into the Capital Project Improvement Fund, the anticipated financial impact for 2025 and 2026, communication strategies, acceptance and maintenance plans, and the proposed next steps.

Specialized teams were formed to oversee the settlement, the bond issuance, and capital improvement planning. The Litigation Settlement Team included Board members Terry Larson, Dave McGraw, and Mike McCleary, along with FRMD's attorneys Dino Ross, Kelley Duke, and Ben Larson with the law firm Ireland Stapleton Pryor & Pascoe. The Bond Issuance Team, led by Board member Mike McCleary, included Gerry Reese, Terry Larson, David Wilson, and attorney Ross. The Engineering Team, which was crucial for capital project planning and execution, included Terry Larson, Dave McGraw, Gerry Reese, FRMD Engineer Wade Wheatlake with Merrick and Company, and District managers Mat Birkeness and Phil Schneider with Community Resource Services of Colorado.

The bond issuance was a multifaceted endeavor. Out of the \$26.265 million in bond proceeds, \$23.5 million was paid to Brookfield and \$2 million was set aside as new money for capital projects. The costs of issuing the bonds included the insurance premium and bond rating expenses, and the fees paid to the underwriter, FRMD's financial advisor, FRMD's bond and disclosure attorney, and FRMD's attorneys. The bonds carried interest rates ranging from 4.625% to 5%, with payments occurring each June 1 and December 1. Notably, these bonds are tax-exempt and can be redeemed at 103% starting December 1, 2030. The FRMD Boards do not anticipate issuing additional bonds in the future.

A network of principal parties and their attorneys supported the bond issuance: UMB Bank served as trustee for receiving FRMD's biennial payments and paying the bondholders; Wells Fargo Bank served as the underwriter of the bonds; Ehlers and Associates served as FRMD's financial advisor; Ireland Stapleton Pryor & Pascoe served as FRMD's general counsel; Kline Alvarado and Veio served as FRMD's bond and disclosure counsel; and Build America Mutual Assurance Company served as the bond insurer.

Key documents guiding the process included the 2020 Joint Funding and Capital Pledge Agreement, the Official Statement for the Bonds, the Indenture of Trust, and insurance and rating updates. FRMD's astute financial oversight and planning led to a Standard & Poor's "A" rating for the bonds, which helped the marketability of the bonds and to reduce the interest rate.

The Improvement Project Fund account, which was established as part of the bond issuance, is held in trust by UMB. Disbursements follow a formal requisition process and are restricted to capital items. The capital projects authorized through the bond issuance include streets, parks and recreation, water, and sanitation/drainage. IRS regulations required FRMD to obligate at least \$100,000 toward capital improvements within six months, and to spend the full \$2 million within three years. The commitment of \$100,000 was fulfilled in 2025. The allocation of improvement project funds was thoughtfully organized. The Litigation Team and the Engineering Team worked collaboratively to develop a list of unfinished projects, with work commencing in 2025 and continuing through 2027. Previous engineering studies performed by the District Engineer (Merrick and Company) assisted with prioritizing the projects. Projects planned include repairs to an alley underdrain (completed), retaining walls, gravity walls (partially completed), and tributary ponds and channels.

Financially, FRMD's property tax mill levy did not increase for 2025, and the quarterly fees remained at \$350. The 2026 budget reflects an FRMD property tax increase of 1 mill for payment of the bonds, but no change to the quarterly fees.

Communication planning was a priority for the Bond Issuance Team. The following activities were accomplished: briefings of the FRMD Boards in April and May, new board member orientation in June, and updates disseminated via Solterra-Connect, e-blasts, and board meetings. On-going updates have been provided at public board meetings.

As part of the lawsuit settlement, FRMD assumed responsibility for maintenance of filings 1–16, while Brookfield is required to apply to FRMD for acceptance of filings 17–21. Evaluations are ongoing, particularly for Filing 17 (McIntyre and Yale), with regular updates provided to the FRMD boards.

Final Comments

Looking ahead, FRMD plans to monitor bond compliance through its Finance Committee, its compliance firm, Ehlers and Associates, and the FRMD #3 treasurer. Engagement of an engineering project management firm (Merrick) has been accomplished. The firm and the Engineering Team are overseeing management of the improvement project fund, including alignment with the 2024 Capital Reserve Study performed for FRMD. The Finance Committee is coordinating with UMB on disbursements and quarterly trust fund analysis. Adaptation to regulations, inflation, and emergencies are all part of the roadmap. FRMD #1, #2, and #3 aligned the foregoing efforts with their 2026 budgets and business plans, ensuring effective implementation of maintenance, capital investment, and communication goals.

We encourage residents to access Solterra-Connect or attend Board of Directors meetings for periodic updates.