



December 8, 2023

Dear Board of Directors, Southshore Master Association:

We are extremely grateful for the joint efforts over the last several weeks as we have worked towards a shared goal of collaboration and communication. Like you, our commitment to the sustainability of the community and transparency to Southshore residents has been, and remains the priority for decision-making, including assessing and reducing financial and legal risk. The Southshore Metro District, as the owning entity of the common area and facilities, has both the willingness and funding sources to meet its obligations, today and for the foreseeable future related to the financial and operational responsibilities of this Community.

Please find attached the final budget for the upcoming year, which will be presented, discussed, and voted upon at the upcoming Metro District Meeting on Tuesday. Based upon our continued discussions, the attached budget reflects the Metro District advancing action plans and communications related to assuming 100% of the financial and operational responsibilities of the facilities, staffing, and landscaping, effective April 1, 2024. This represents a cost transfer of nearly 70% of the 2023 HOA budget. The vital community services such as covenant control, trash service, and facilities / social programming (as traditionally performed by the Master Association's Social Committee) shall remain with the Master Association. All responsibilities for the reserves (asset and debt service) shall be the responsibility of the Metro District.

From the onset, the Metro District has sought an approach allowing the Metro District to take on these financial responsibilities in hopes the HOA would reduce dues for community members which would result in effectively a cost-neutral solution for all homeowners, despite the increase in your home's assessed value.

After careful review, and upon consideration of legal counsel, the Metro District does not support the optimization plans as presented by the HOA nor the HOA budget proposed to the community, which maintains the current assessment rate (\$135/month) while passing along over 70% of the operating costs to the Metro District. Specifically, the Metro District Board has concerns regarding the HOA's plan to utilize a portion of the current resident-paid HOA dues to retire Metro District debt sometime in the future. Based upon current Federal law and the Internal Revenue Service's rulings and guidance the utilization of these funds to pay down Metro District debt may not be permitted. Based upon Colorado law, the District is not permitted to accept such dues now or in the future, leaving the ultimate status of these funds up for interpretation by the HOA Board in the future.

The Metro District and HOA have had extensive discussions surrounding enhancing communication and transparency of both Boards and we hope that these can continue. Given the time and commitment of all involved, please understand this decision is not a reflection of any lack of goodwill. Rather, a pragmatic response to current limitations as well as potential financial and legal risks of the HOA-proposed joint initiatives.

We appreciate your understanding and hope to continue leveraging the open lines of communication for the benefit of our shared community. If you have any questions or concerns, please feel free to reach out to us.

Sincerely,

Board of Directors, Southshore Metro District