

RECORD OF PROCEEDINGS

MINUTES OF THE CONTINUED SPECIAL MEETING OF SOUTHSHORE METROPOLITAN DISTRICT NO. 2 HELD JANUARY 27, 2020

A Continued Special Meeting of the Board of Directors (the “**Board**”) of the Southshore Metropolitan District No. 2 (the “**District**”) was held at the Southshore Lakehouse, 27151 E. Lakeview Drive, Aurora, Colorado, on January 27, 2020 at 5:00 p.m. The Meeting was continued from the Special Meeting of January 13, 2020.

ATTENDANCE

Directors in Attendance were:

Jerry B. Richmond, III, Chairman

P. Joseph Knopinski, Vice President and Secretary/Treasurer

Aaron L. Clutter, Vice President and Assistant Secretary/Treasurer

Nathan D. Fogg, Vice President and Assistant Secretary/Treasurer

**arrival where noted*

Nathan Kennedy, Vice President and Assistant Secretary/Treasurer*

**arrival where noted*

Absent (excused):

None.

Also in Attendance were:

John Simmons of Simmons & Wheeler

David A. Greher of Collins Cockrel & Cole

Brooke Hutchens and Sam Sharp of D.A. Davidson & Co.

Kimberly Crawford and Dalton Kelley of Butler Snow, LLP

Creig Veldhuizen of Piper Sandler & Co.

Residents and Owners within the District and General Public

CONFLICTS OF INTEREST

Mr. Greher introduced himself and mentioned the conflict of disclosures filed with the Secretary of State’s office and the Board of

Directors which discussed, in particular, the potential Bond transaction on the Agenda.

As more fully set forth in the conflict statements on file:

- Chairman Richmond disclosed that he is an employee of RainTree Investment Corporation (“**RainTree**”), which is the exclusive agent for Paulson Property Management, LLC (“**Paulson**”), which has significant ownership and/or investment interests in the property within the District through its subsidiary Southshore Recovery Acquisition, LLC (“**SSRA, LLC**”), and further disclosed that he is the President of the Southshore Master Association, Inc., the homeowners association for the community within the District’s boundaries.
- Director Knopinski disclosed that he provides consulting services to SSRA, LLC.
- Director Clutter disclosed that he is an officer and employee of J.R. Engineering, LLC (“JR Engineering”), which is a consultant of SSRA, LLC and which have entered into a Construction and Management Services Agreement with the District. Director Clutter further stated that input in matters related to the requisition of project funds from the proceeds of bonds issued by the District to pay JR Engineering for services performed under the Construction Management Contract, to be discussed later in this meeting, represents a conflict of interest but his participation is necessary to obtain a quorum. Chairman Richmond and Directors Knopinski and Clutter also provided specific disclosure regarding the Board’s consideration of the District’s issuance of general obligation bonds.

All Directors present stated that their participation in the meeting was necessary to obtain a quorum of the Board or otherwise enable the Board to act; that written disclosures of such potential conflicts of interest had been filed with the Board and the Secretary of State in accordance with statutory requirements; and that the nature of their private interests related to employment relationships as set forth above.

After each Director had summarily stated for the record the fact and nature of his private interests and had further stated that the determination to participate in voting or take any other action on any

contract or other matter in which he may have a private interest would be made in compliance with Section 24-18-201(1)(b)(V), C.R.S., on an ad hoc basis, the Board turned its attention to the agenda items.

All disclosures of potential conflict of interest statements previously filed are deemed continuing for all purposes and are incorporated into the record of the meeting.

** Director Fogg then arrived at the meeting*

NOTICE

Mr. Greher stated that Notice had been properly posted at least 24-hours prior to the meeting on the District's public website and at the Lakehouse bulletin board. The certification of posting is attached hereto. The notice also included the agenda items.

MINUTES

The Board then considered the Minutes of the January 13, 2020 special Board meeting. After discussion and upon motion duly made, seconded and unanimously carried, the Minutes of the Board meeting was approved as presented.

ENGAGEMENT OF
AUDITOR

Mr. Simmons presented the engagement letter from Fiscal Focus Partners to conduct the audit of the District's 2019 financial statements. Following discussion and upon motion duly made, seconded and unanimously carried, the Board ratified the engagement of Fiscal Focus Partners to conduct the audit of the District's financial statements.

STATUS REPORT

Chairman Richmond thanked the residents who have reached out recently about updates from the last several years. Chairman Richmond also thanked Ross Garrett and Kevin Stadler specifically for meeting with him and general counsel about District issues, including the upcoming Bond issuance. Chairman Richmond then mentioned Mr. Garrett's Facebook post which provided a nice summary of that discussion.

Chairman Richmond then introduced Craig Veldhuizen who provided the Municipal Advisor's report.

Mr. Veldhuizen introduced himself as the District's Municipal Advisor. He was hired alongside the underwriter, D.A. Davidson & Co. Mr. Veldhuizen stated that a Municipal Advisor has a similar background, but they also serve in a capacity as a fiduciary to the Board and to the District. Before the prior Meeting, the Board had asked Piper Sandler to look at the deal proposed by D.A. Davidson & Co. Mr. Veldhuizen had asked the Board for two weeks to consider financing options and alternatives, which then led to the continuation of the January 13 Meeting. Mr. Veldhuizen then provided the Piper Sandler report that he was able to prepare in the intervening two weeks.

The Board has been balancing different considerations. Mr. Veldhuizen is happy to report that the additional time was successful in giving Piper Sandler the opportunity to work with D.A. Davidson & Co. on financing options. Mr. Veldhuizen thanked Ms. Hutchens and D.A. Davidson & Co. for their hard work over the last few weeks.

Director Knopinski asked Mr. Veldhuizen to discuss the basic options.

Mr. Veldhuizen noted that the Board has several objectives:

- In May of 2018 the District went to election to authorize \$27.5 million of debt, for park and recreation purposes including the recreation center improvements and other associated improvements such as landscaping, trails, etc.
- The District has committed to opening the Recreation Center by May of 2021.
- The District has outstanding debt which includes debt with call protection. The 2018 Tax Reform Act made tax-exempt advance refundings impermissible under the Internal Revenue Code. There is a timing mismatch: The District can't do current refunding for call-protected Bonds.

**Director Kennedy then arrived at the meeting.*

Mr. Veldhuizen continued stating the law, however, allows advance refunding of debt on a taxable basis. Taxable rates for municipal debt are currently very low and are It is currently attractive to consider taxable bonds to meet the District's needs for timing reasons. Further, the taxable interest rates today are lower than District's existing tax-exempt debt.

Question from Resident: Who must pay taxes on taxable debt?

Mr. Veldhuizen: The Bondholders.

Chairman Richmond then introduced Director Kennedy to the audience.

Mr. Veldhuizen then briefly discussed the bond issuance options that were considered:

- Tax-exempt
- Taxable
- Combination of Tax-exempt and taxable.
- Cinderella: this starts as taxable, converts to tax-exempt. It is tough to do in the Bond market, but several banks will do this. There are other factors to consider. Banks will generally have a shorter-term maturity than Bonds. A 20-year term was considered in the Piper Sandler matrix. The challenge of a 20-year loan is that this structure sucked up a lot of cash flow in early years, creating pressure on the District's tax levies.
- Forward: The District could go out for a tax-exempt issue, but would need to price it well advance of closing. Like the Cinderella option, there are relatively few players in the marketplace for this option. Also, investors require a premium for the forward rate. There would be an 8-month delay with the Forward deal and it would lead to an expected 0.4% interest rate premium. Mr. Veldhuizen stated that Piper Sandler looked at the economics of each option. The Forward option was too expensive and too much of a delay. The biggest issue was timing: a closing in September wouldn't allow for the May 2021 opening of the Recreation Center.
- Cinderella Loan: This option has good rates, but is very complex. The District would need a Cinderella Loan for 20 years plus tax-exempt Bonds around it. One obstacle with this option is that another set of attorneys would be at the table (bank counsel) and those attorneys would not necessarily agree with the Bonds and the 45-Day Notice published by the Board as being sufficient for the Cinderella structure. The cost of capital is good, but about the same as the

combination taxable and tax-exempt option. Again, the issue is timing – there would be delay of at least 45 days if not more.

This brings Piper Sandler down to the original plan and combination taxable and tax-exempt Bond plan.

- Original plan: This plan is focused on the 2007 Bond and 2017 Bond refunding plus new money. Mr. Veldhuizen discussed Senior and Subordinate Bonds. These are comparable to a 1st and 2nd Mortgage (no pledged assets – just cash flow.). All in true interest cost was highest of the options and it also had the highest expected Debt Service Mill Levy. Thus, this option is not recommended.

Piper Sandler recommends the combination of Tax-exempt and taxable plan with a full restructure of all Bonds (Series 2007, Series 2015 and Series 2017).

- D.A. Davidson & Co. expects to bring up to \$42 million of bonds to the Senior Bonds tier (the original plan was \$20 million senior).
- The Subordinate Bonds will be cut in half compared to original plan.
- Those changes result in true interest cost of 4.3% (vs. 5.9% for original).
- The Bond documents are generally in good shape for the shift from the original plan to the recommended plan.

In summary, Piper Sandler believes taxable and tax-exempt Senior Bonds are likely to be rated. The longest term in taxable Seniors will mature in 2042; the tax-exempt Senior Bonds will have a final maturity of 2046; the Subordinate Bonds will have a final maturity of 2041.

The caveats to this are:

- Taxable market – calls are more likely to be 10-year call (not 5 year) because that is the market standard for taxable bonds.
- Tax-Exempt – may be able to get the 5-year call.
- Slightly more debt than the original plan. \$57 million in the original plan; the new deal is \$62 million. The reason behind this is they assume a cash-funded Debt Service Reserve Fund. There is an

opportunity to shrink that amount if the deal is rated and there is bond insurance – and a Debt Service Reserve Fund surety replaces the cash requirement.

Chairman Richmond noted that the District will try to maximize the Tax-exempt option. This leads to a potential reduction in the District’s expected levy rate of 10 mills for collection year 2024. The current debt service mill levy is capped at approximately 56 mills.

Mr. Veldhuizen states that the rating process may take up to three weeks.

Question from Resident: Why not just do the new money now and refunding later?

Answer: Because the District has to restructure the debt.

Question from Andrew Roberts: Will any of the proposed debt be accruing interest without payments for years?

Answer: No, the current interest payments start right away.

Question from Andrew: Who would be the buyers?

Mr. Veldhuizen: Rated bonds have thousands of possible buyers. Non-rated bonds will have fewer possible buyers – big institutional players. Subordinate Bonds would have fewer buyers still. A conscious decision will be made to maximize the senior and rated bonds and minimize the subordinate and non-rated bonds.

Question from Andrew: Why two districts?

Chairman Richmond: The City of Aurora wanted it that way at the time of organization.

Ross Garrett: Copperleaf has many more districts to “solve”.

Chairman Richmond: District No. 1 will be dissolved when the construction is complete.

Question from Andrew: Can we attend District No. 1 meetings?

Director Fogg: Yes, you are able to attend portions of many District No. 1 meetings.

Question: Who is on the District No. 1 Board?

Answer: Jerry Richmond, Joe Knopinski, Aaron Clutter, Brock Chapman and Kurtis Williams. Chairman Richmond discussed the transition to new District No. 2 directors as part of the May 5, 2020 election.

Question from Astrid Story: Can you confirm that this is the last of the debt needed to complete the neighborhood?

Chairman Richmond: Yes.

Question: Who will operate the facility? Dana Jackiewicz will be managing the current facility and the new facility.

Chairman Richmond answered questions about the features of the new facility. He also noted that future programming was delayed for another day.

Question from Andrew: Do you feel comfortable?

Chairman Richmond: Yes.

Chairman praised Mr. Veldhuizen for his work and stated that he is confident that this is the best plan. Director Fogg stated that he has seen nothing but the Board working for the District's best interest. Director Kennedy agreed with Director Fogg. He stated that he has learned a lot over the last few years, including Bonds, Piper Sandler prepared a very good report, and he is convinced the transaction is in the best interest of the community. Director Clutter noted that it was a wise decision to get Piper Sandler on board; it was well worth the time and money and that there is also cost-savings on the issuance that Piper Sandler was able to achieve. Chairman Richmond noted that he has been working on this project for ten years and he takes great pride and feels the proposed deal is best.

EXECUTIVE
SESSION

The Board moved to table the executive session.

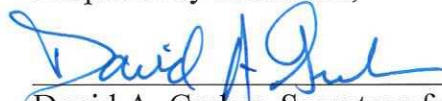
BOND
RESOLUTION

Following further discussion of the bond issuance options and Bond Resolution, a motion was made, seconded and carried, the motion passed with Directors Richmond, Kennedy, Knopinski and Fogg voting in favor of the motion and Director Clutter abstaining.

MEETING
ADJOURNED

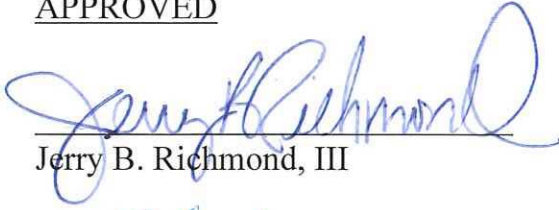
There being no other matters to come before the Board, the meeting was adjourned.

Respectfully submitted,



David A. Greher, Secretary for the Meeting

APPROVED



Jerry B. Richmond, III



P. Joseph Knopinski



Aaron Clutter



Nathan D. Fogg



Nathan Kennedy

AGENDA
OF CONTINUED SPECIAL MEETING OF
SOUTHSHORE METROPOLITAN DISTRICT NO. 2

Time: Monday, January 27, 2020, 5:00 p.m. continued from
Monday, January 13, 2020, 5:00 p.m.

Location: Southshore Lakehouse
27151 E. Lakeview Drive
Aurora, Colorado 80016

1. Disclosures of any potential conflicts of interest.
2. Approval of Minutes of January 13, 2020 Special Meeting.
3. Ratify engagement of Auditor.
4. Public Comment (limit to three (3) minutes per person, five (5) minutes per organization and taken in order on sign-in sheet; repeating comments will not be accepted).
5. Status report by Board Chairman and Board discussion.
6. Executive Session under Section 24-6-401(4)(b) and 24-6-401(4)(e), C.R.S., to confer with District counsel for legal advice and to determine positions relative to matters that may be subject to negotiations, developing strategy for negotiations and instructing negotiators regarding proposed Bond transactions, and related agreements and matters.
7. Consider making final determination to adopt Bond Resolutions to issue one or more series of general obligation bonds for refunding and capital improvement purposes and approving related documents and transactions.
8. Any other matter that may come before the Board.

This meeting is open to the public.

SOUTHSHORE
METROPOLITAN DISTRICT NO. 2

By /s/ Jerry B. Richmond, III
Jerry B. Richmond, III, Chairman

I hereby certify that a copy of the foregoing Notice of Continued Special Meeting of Southshore Metropolitan District No. 2 was, by me personally, posted on the District's website, at least 24 hours before the meeting.

Katie Christopher

I hereby certify that a copy of the foregoing Notice of Continued Special Meeting of Southshore Metropolitan District No. 2 was, by me personally, forwarded to the City of Aurora City Clerk's office for posting on the public bulletin board at least 72 hours before the meeting.

Saul W. Holt
