

## RECORD OF PROCEEDINGS

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### MINUTES OF THE SPECIAL MEETING OF SOUTHSHORE METROPOLITAN DISTRICT NO. 2 HELD JANUARY 13, 2020

A 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 13, 2020 at 5:00 p.m.

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#### 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  
Nathan Kennedy, Vice President and Assistant Secretary/Treasurer\*  
*\*arrival where noted*

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#### Absent (excused):

None.

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#### Also in Attendance were:

Cathy Hamilton of Simmons & Wheeler  
David A. Greher of Collins Cockrel & Cole  
Brooke Hutchens of D.A. Davidson  
Kimberly Crawford and Dalton Kelley of Butler Snow  
Creig Veldhuizen of Piper Sandler  
Residents and Owners of 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. At that time, each Director present introduced himself; Director Fogg noted that he was a resident of the District and has been serving on the Board for about three years. Director Knopinski stated

his conflict and explained his fiduciary responsibility to the community.

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.

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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.

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MINUTES

The Board then considered the Minutes of the November 20, 2019 continued regular Board meeting. After discussion and upon motion duly made, seconded and unanimously carried, the Minutes of the Board meeting was approved as presented.

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STATUS REPORT

Chairman Richmond updated the Board on current activities and discussed the following:

All of the homesites except for approximately 300 sites in Filing 19 are under contract to builders. The last filing is on the market and SSRA will accept letters of interest from three builders by this Friday, January 17, 2020. Chairman Richmond anticipates the closing to happen in March or April with new houses being built by early next year. At final buildout, the community is expected to have 1,964 single family homes. Chairman Richmond reported that 186 homes were sold and 150 homes were closed in 2019, which accounted for approximately \$95 million of sales with an average home sale price of \$657,000; the same figures for 2018 were 176 homes sold, 159 closed and approximately \$76 million of sales. For comparison, there are currently approximately 955 homes occupied in the community

Chairman Richmond then mentioned that he has been on the District Board since 2009 and has also served on the homeowner's association. He noted the numerous projects that he has worked on in the southeastern Denver Metro Area.

The District is getting ready to issue debt to fund the Recreation Center at the south side of development and to complete landscape, irrigation, and parks and open space. The Recreation Center has a targeted opening date of May 2021.

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MEETING  
LOCATION

Chairman Richmond discussed a change in posting location. The statutory requirements now call for notices to be posted on the District's website at least 24-hours prior to each meeting. Regular and Special meetings are generally held at the offices of Simmons & Wheeler or JR Engineering. Meetings regarding debt issuance and election matters have been previously held at the Lakehouse. The Board decided to have this meeting at the Lakehouse for ease of homeowner's attendance because issuance of debt is on the Agenda.

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PUBLIC COMMENT

Director Knopinski asked if there were any comments related to issues other than debt. No attendee asked to discuss non-debt issues.

Chairman Richmond mentioned that the Board has hired a Municipal Advisor (Piper Sandler) which is a fiduciary to the Board and District. He stated that the Board had expected to approve a series of Bond transactions at this Meeting that new information that came to light in the last week will likely lead to the Board tabling this item until a future, continued meeting.

Brooke Hutchens of D.A. Davidson & Co. then discussed the bond financing. Ms. Hutchens introduced her firm as the underwriter of the 2015 and 2017 financings, and noted that she and D.A. Davidson & Co. will also be working with District on 2020 financing as underwriter. She then provided a brief overview of the District's outstanding debt:

- Senior 2007 Bonds bearing interest at 5.75% (expect to be refunded in all scenarios),
- Senior 2015 Bonds bearing interest at 6.5% (parity to 2007 Bonds) (may be refunded in certain scenarios)
- Subordinate 2017 Bonds bearing interest at 7.75% – timeline of payment is less certain (expect to be refunded in all scenarios).

- The District's outstanding Bonds are projected to be paid in full in 2035 if no new debt issued – but additional debt is expected to finance the new Rec Center, landscaping and other park and rec improvements.

- The District's maximum debt service mil levy is 55.664 mills, subject to Gallagher adjustments.

Ms. Hutchens noted that the District has an opportunity now to take advantage of both a great interest rate environment and the successful development in the District which has greatly increased its tax base.

Director Knopinski then mentioned the recent *Denver Post* articles regarding special districts. Director Knopinski noted that he serves on 30 different Boards, and noted his history as Manager of the Town of Castle Rock. He explained that metropolitan districts allow development to pay its own way. The District taxes are capped at 55.664 mills. Director Knopinski then discussed the Gallagher Amendment noting that the Residential Assessment Rate has gone from 21% originally to 7.15% today.

*\*Nathan Kennedy then joined the meeting.*

Various questions were presented from the public:

**Question:** What happens if market crashes? Ms. Hutchens responded that a downturn leads to lower assessed valuation – the bondholder has the risk. Kim Crawford of Butler Snow indicated that taxes will go up with increased assessed valuation.

Chairman Richmond then introduced Ms. Crawford as the District's bond counsel.

**Question:** Is there any thought to issue junior lien bonds? Ms. Hutchens responded that most likely only senior and subordinate bonds would be issued, but it is possible that junior bonds would be issued if needed.

**Question:** What interest rate would the Bonds carry? Ms. Hutchens responded that the IRS eliminated advance refunding of tax-exempt bonds, which has complicated the District's financing picture. Only the 2007 Bonds are currently callable. One of the options is to get a bank loan which for a short period of time would be taxable, then to

be converted to a tax-exempt loan. Also rated bonds are an option. Interest rates may be as low as 3%.

Director Knopinski then discussed call protection as being a limitation on the District's ability to prepay its outstanding Bonds.

**Question:** What happened last week? Chairman Richmond answered that the District hired Piper Sandler as its municipal advisor and has decided that additional time would be useful for the advisor to complete its analysis of the District's financing options. The market is very good right now, but there is also desire to get moving on the Recreation Center construction with 48+ week construction contract.

**Question:** Why two tiers of debt? Ms. Hutchens responded that was what was feasible when the District issued debt. Mr. Greher then provided an analogy of the Senior and Subordinate Bonds to being like a first and second mortgage.

**Question:** Is the plan to refund debt? Ms. Hutchens responded, yes, with as much senior as possible.

EXECUTIVE  
SESSION

The Board moved to table the executive session.

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BUTLER SNOW  
ENGAGEMENT  
LETTER

Following discussion, a motion was made, seconded and unanimously carried, the Board ratified the engagement letter with Butler Snow.

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PIPER SANDLER  
ENGAGEMENT  
LETTER

Following discussion, a motion was made, seconded and unanimously carried, the Board ratified the engagement letter with Piper Sandler.

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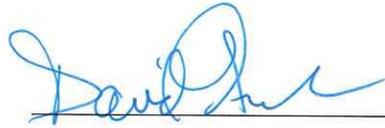
BOND  
RESOLUTIONS

The Board moved to table this discussion.

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MEETING  
CONTINUED

After discussion and upon motion duly made, seconded and unanimously carried, the Board continued the January 13, 2020 special meeting to Monday, January 27, 2020 at 5:00 p.m. at the Lakehouse.



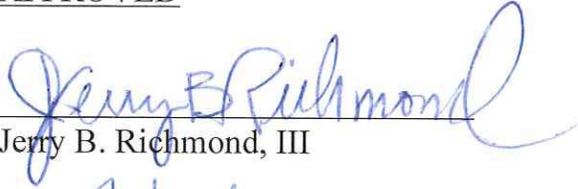
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Respectfully submitted,

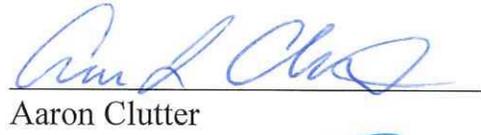
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David A. Greher, Secretary for the Meeting

APPROVED

  
Jerry B. Richmond, III

  
P. Joseph Knopinski

  
Aaron Clutter

  
Nathan D. Fogg

  
Nathan Kennedy

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

Time: 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 November 20, 2019 Continued Regular Meeting.
3. Status report by Board Chairman.
4. Discuss Meeting Location.
5. Public Comment (limit to three (3) minutes per person).
6. Executive Session under Section 24-6-401(4)(b), C.R.S., to confer with District counsel for legal advice related to proposed Bond transactions, and related agreements and matters.
7. Review and ratification of Butler Snow Engagement Letter.
8. Review and ratification of Piper Jaffray Financial Services Agreement.
9. Consider making final determination to adopt Bond Resolutions to issue (i) General Obligation Limited Tax (Convertible to Unlimited Tax) Refunding Bonds, Series 2020A, (ii) Subordinate Limited Tax General Obligation Refunding and Improvement Bonds, Series 2020B, and (iii) Junior Lien Limited Tax General Obligation Bonds, Series 2020C, in the aggregate par amount of approximately \$45 million and approving related documents and transactions.
10. 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 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

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