

MIDCITIES METROPOLITAN DISTRICT NO. 2

141 Union Boulevard, Suite 150
Lakewood, Colorado 80228-1898
Tel: 303-987-0835 • 800-741-3254
Fax: 303-987-2032

NOTICE OF SPECIAL MEETING AND AGENDA

| <u>Board of Directors:</u> | <u>Office:</u> | <u>Term/Expiration:</u> |
|----------------------------|---------------------|-------------------------|
| Douglas McCormick | President | May 2023/2023 |
| Greg Patrick | Vice President | May 2022/2022 |
| George Turtle | Treasurer | May 2023/2023 |
| Charles Tash | Assistant Secretary | May 2022/2022 |
| Kael T. Russell | Assistant Secretary | May 2022/2022 |
| David Solin | Secretary | |

DATE: June 15, 2021 (Thursday)

TIME: 1:00 p.m.

PLACE: DUE TO CONCERNS REGARDING THE SPREAD OF THE CORONAVIRUS (COVID-19) AND THE BENEFITS TO THE CONTROL OF THE SPREAD OF THE VIRUS BY LIMITING IN-PERSON CONTACT, THIS DISTRICT BOARD MEETING WILL BE HELD BY CONFERENCE CALL WITHOUT ANY INDIVIDUALS (NEITHER DISTRICT REPRESENTATIVES NOR THE GENERAL PUBLIC) ATTENDING IN PERSON. IF YOU WOULD LIKE TO ATTEND THIS MEETING, PLEASE CALL IN TO THE CONFERENCE BRIDGE AT **1-877-250-3814** AND WHEN PROMPTED, DIAL IN THE PASSCODE OF **5592663**.

I. ADMINISTRATIVE MATTERS

A. Present Disclosures of Potential Conflicts of Interest.

B. Approve Agenda, confirm location of the meeting and posting of meeting Notice.

C. Review and approve Minutes of the January 28, 2021, March 16, 2021 and March 25, 2021 special meetings (enclosures).

D. Consider authorizing all interested Board Members (and guest) to attend the 2021 SDA Conference in Keystone on September 14, 15 and 16, 2021.

II. PUBLIC COMMENTS

A. _____

III. FINANCIAL MATTERS

A. Review and ratify the approval of the payment of claims as follows (enclosures):

| Fund | Period ending March 31, 2021 | Period ending April 26, 2021 | Period ending May 30, 2021 |
|--------------|---------------------------------|---------------------------------|-------------------------------|
| General | \$ 6,156.06 | \$ 25,796.80 | \$ 10,124.33 |
| Debt | \$ -0- | \$ -0- | \$ -0- |
| Capital | \$ 4,221.50 | \$ 9,094.83 | \$ 9,079.06 |
| Total | \$ 10,377.56 | \$ 34,891.63 | \$ 19,203.39 |

B. Review and accept unaudited financial statements for the period ending March 31, 2021 (enclosure).

C. Review and consider approval of 2020 draft Audit (enclosure) and authorize execution of Representations Letter.

D. Discuss Sales Tax Report (enclosure).

E. Ratify approval of Letter Agreement between the District and Hilltop Securities to serve as Municipal Advisor for the District (enclosure).

IV. LEGAL MATTERS

A. _____

V. CAPITAL MATTERS

A. Discuss status of the Parking Structure Project.

B. Discuss status of the Regional Trail Project.

C. Discuss status of retaining wall repair work (enclosure).

VI. EXECUTIVE SESSION (If Necessary)

- A. Receive legal advice pursuant to Section 24-6-402(4)(b). C.R.S. relating to the Parking Structure. **Adjourn into Executive Session.**
-

VII. OTHER MATTERS

- A. Consideration of action on Aequus Litigation Settlement proposal.
-

V. ADJOURNMENT **THE NEXT REGULAR MEETING IS SCHEDULED FOR SEPTEMBER 21, 2021.**

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE MIDCITIES METROPOLITAN DISTRICT NO. 2 HELD JANUARY 28, 2021

A special meeting of the Board of Directors (referred to hereafter as “Board”) of the MidCities Metropolitan District No. 2 (referred to hereafter as “District”) was held on Thursday, the 28th day of January, 2021 at 1:00 p.m. Due to concerns regarding the spread of the Coronavirus (Covid-19) and the benefits to the control of the spread of the virus by limiting in person contact, this District Board meeting was held by conference call without any individuals (neither District Representatives or the General Public) attending in person. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Douglas McCormick
Greg Patrick
George Turtle
Charles Tash
Kael T. Russell

Also In Attendance Were:

David Solin; Special District Management Services, Inc.

Paul Cockrel; Collins; Cockrel & Cole, P.C.

Greg Lindsay; Murphy & Decker, P.C.

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential Conflicts of Interest: Attorney Cockrel reported that, in accordance with statutory requirements, Disclosure of Potential Conflict of Interest Statements were previously filed by Directors McCormick with the District and the Secretary of State disclosing potential conflicts of interest, because of such Director respective previous or current ownership, directorship and officership interests in or employment relationships with companies which previously owned and developed property within the District and/or MidCities Metropolitan District No. 2 (referred to hereafter as “District No. 2” and together with the District, the “Districts”) or which were involved in the development of such property, including entering into various construction, funding, acquisition and reimbursement, and management contracts with the Districts, including without limitation the Funding Agreement, the Amended and Restated Reimbursement Agreement, the Parking Garage Lease Purchase Agreement and the Infrastructure Acquisition Agreement (collectively referred to hereafter as “Coalton Contracts”). Director Douglas McCormick has disclosed his former

RECORD OF PROCEEDINGS

involvement as a member, officer or director of, or as owners or creditors having a direct or indirect financial interest in, Alliance Commercial Holdings I, LLC (referred to hereafter as “Alliance Holdings”), which was the manager of Coalton Associates, LLC (referred to hereafter as “Coalton Associates”), which was a member and the sole owner of Coalton Acres, LLC (referred to hereafter as “Coalton Acres”), which had, but now has sold or disposed of, various land ownership and/or development interests within the Districts. Coalton Acres also was a member of Coalton Holdings, LLC (“Coalton Holdings” and together with Coalton Acres, “Coalton”), which also had, but now has disposed of, its land ownership and/or development interests within the District.

The Disclosure of Potential Conflict of Interest Statements were incorporated into the record of the meeting and will be deemed continuing until modified or withdrawn.

All Directors present stated that the participation of at least three of them in the regular 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 of each Director had previously been filed with the Districts and the Secretary of State in accordance with statutory requirements; and that the nature of each Director’s private interests related to the ownership, creditor or employment relationships or directorship or officership positions in companies, including Coalton, which formerly owned and developed property within the Districts, and is a party to and has interests under the Coalton Contracts. After each Director had summarily stated for the record the fact and nature of his private interests and further stated that the determination to participate in voting or to take any other action on any contract or other matter in which a Director 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 conflicts of interest of the Directors shall be deemed continuing in nature until withdrawn.

ADMINISTRATIVE MATTERS

Agenda: The Board reviewed the proposed Agenda for the District’s special meeting.

Following discussion, upon motion duly made by Director McCormick, seconded by Director Tash and, upon vote, unanimously carried, the Agenda was approved, as presented.

Approval of Meeting Location: The Board entered into a discussion regarding the requirements of Section 32-1-903(1), C.R.S., concerning the location of the District Board meetings.

Following discussion, upon motion duly made by Director McCormick seconded by Director Tash and, upon vote, unanimously carried, the Board determined that due to concerns regarding the spread of the Coronavirus (Covid-19) and the benefits to the

RECORD OF PROCEEDINGS

control of the spread of the virus by limiting in person contact, this District Board meeting will be held by conference call without any individuals (neither District Representatives nor the General Public) attending in person on location.

PUBLIC COMMENT

There was no public comment.

EXECUTIVE SESSION

EXECUTIVE SESSION: Parking Structure: Pursuant to Section 24-6-402(4) of the Colorado Revised Statutes, upon motion duly made by Director Russell, seconded by Director Turtle and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 1:04 p.m. for the purpose of receiving from the Board's attorney legal advice on specific legal questions as authorized by Section 24-6-402(4)(b) and (e), C.R.S. The executive session discussion constituted a privileged attorney-client communication as provided by Section 24-6-402(4)(b), C.R.S. and, based on that opinion, no further record, written or electronic, was kept or required to be kept pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S.

The Board reconvened in regular session at 1:47 p.m.

OTHER MATTERS

There were no other matters.

ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made by Director Russell, seconded by Director Patrick and, upon vote, unanimously carried, the meeting was adjourned.

Respectfully submitted,

By: _____
Secretary for the Meeting

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE MIDCITIES METROPOLITAN DISTRICT NO. 2 HELD MARCH 16, 2021

A special meeting of the Board of Directors (referred to hereafter as “Board”) of the MidCities Metropolitan District No. 2 (referred to hereafter as “District”) was held on Tuesday, the 16th day of March, 2021 at 1:00 p.m. Due to concerns regarding the spread of the Coronavirus (Covid-19) and the benefits to the control of the spread of the virus by limiting in person contact, this District Board meeting was held by conference call without any individuals (neither District Representatives or the General Public) attending in person. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Douglas McCormick
Greg Patrick
George Turtle
Charles Tash
Kael T. Russell

Also In Attendance Were:

David Solin; Special District Management Services, Inc.

Paul Cockrel; Collins; Cockrel & Cole, P.C.

Kimberly Johanns; Simmons & Wheeler, P.C.

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential Conflicts of Interest: Attorney Cockrel reported that, in accordance with statutory requirements, Disclosure of Potential Conflict of Interest Statements were previously filed by Directors McCormick with the District and the Secretary of State disclosing potential conflicts of interest, because of such Director respective previous or current ownership, directorship and officership interests in or employment relationships with companies which previously owned and developed property within the District and/or MidCities Metropolitan District No. 2 (referred to hereafter as “District No. 2” and together with the District, the “Districts”) or which were involved in the development of such property, including entering into various construction, funding, acquisition and reimbursement, and management contracts with the Districts, including without limitation the Funding Agreement, the Amended and Restated Reimbursement Agreement, the Parking Garage Lease Purchase Agreement and the Infrastructure Acquisition Agreement (collectively referred to hereafter as “Coalton Contracts”). Director Douglas McCormick has disclosed his former

RECORD OF PROCEEDINGS

involvement as a member, officer or director of, or as owners or creditors having a direct or indirect financial interest in, Alliance Commercial Holdings I, LLC (referred to hereafter as “Alliance Holdings”), which was the manager of Coalton Associates, LLC (referred to hereafter as “Coalton Associates”), which was a member and the sole owner of Coalton Acres, LLC (referred to hereafter as “Coalton Acres”), which had, but now has sold or disposed of, various land ownership and/or development interests within the Districts. Coalton Acres also was a member of Coalton Holdings, LLC (“Coalton Holdings” and together with Coalton Acres, “Coalton”), which also had, but now has disposed of, its land ownership and/or development interests within the District.

The Disclosure of Potential Conflict of Interest Statements were incorporated into the record of the meeting and will be deemed continuing until modified or withdrawn.

All Directors present stated that the participation of at least three of them in the regular 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 of each Director had previously been filed with the Districts and the Secretary of State in accordance with statutory requirements; and that the nature of each Director’s private interests related to the ownership, creditor or employment relationships or directorship or officership positions in companies, including Coalton, which formerly owned and developed property within the Districts, and is a party to and has interests under the Coalton Contracts. After each Director had summarily stated for the record the fact and nature of his private interests and further stated that the determination to participate in voting or to take any other action on any contract or other matter in which a Director 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 conflicts of interest of the Directors shall be deemed continuing in nature until withdrawn.

ADMINISTRATIVE MATTERS

Agenda: The Board reviewed the proposed Agenda for the District’s special meeting.

Following discussion, upon motion duly made by Director McCormick, seconded by Director Patrick and, upon vote, unanimously carried, the Agenda was approved, as presented.

Approval of Meeting Location: The Board entered into a discussion regarding the requirements of Section 32-1-903(1), C.R.S., concerning the location of the District Board meetings.

Following discussion, upon motion duly made by Director McCormick seconded by Director Patrick and, upon vote, unanimously carried, the Board determined that due to concerns regarding the spread of the Coronavirus (Covid-19) and the benefits to the

RECORD OF PROCEEDINGS

control of the spread of the virus by limiting in person contact, this District Board meeting will be held by conference call without any individuals (neither District Representatives nor the General Public) attending in person on location.

Minutes: The Board reviewed the Minutes of the November 17, 2020 Special Meeting.

Following discussion, upon motion duly made by Director Russell, seconded by Director Turtle and, upon vote, unanimously carried, the Board approved the Minutes of the November 17, 2020, as presented.

PUBLIC COMMENT

There was no public comment.

FINANCIAL MATTERS

Claims: The Board considered ratification of the payment of claims through the period ending as follows:

| | Period Ending Nov. 11, 2020 | Period Ending Dec. 21, 2020 | Period Ending Jan. 14, 2021 |
|---------------------|--------------------------------|--------------------------------|--------------------------------|
| General Fund | \$ 7,737.92 | \$ 33,299.63 | \$ 18,097.68 |
| Debt Service Fund | \$ -0- | \$ 885.00 | \$ -0- |
| Capital Fund | \$ 50,349.83 | \$ 4,272.33 | \$ 735.83 |
| Total Claims | \$ 58,087.75 | \$ 38,456.96 | \$ 18,833.51 |

| | Period Ending Feb. 17, 2021 |
|---------------------|--------------------------------|
| General Fund | \$ 13,271.99 |
| Debt Service Fund | \$ 5,000.00 |
| Capital Fund | \$ 2,782.83 |
| Total Claims | \$ 21,054.82 |

Following discussion, upon motion duly made by Director Russell, seconded by Director Turtle and, upon vote, unanimously carried, the Board ratified approval of payment of claims, as presented.

Claims Through the Period Ending March 16, 2021: The Board deferred discussion.

Unaudited Financial Statements: Ms. Johanns reviewed with the Board the unaudited financial statements of the District setting forth the cash deposits, investments and budget analysis for the period ending December 31, 2020.

Following review and discussion, upon motion duly made by Director Turtle, seconded by Director Russell and, upon vote, unanimously carried, the Board accepted the

RECORD OF PROCEEDINGS

unaudited financial statements of the District setting forth the cash deposits, investments and budget analysis for the period ending December 31, 2020 as presented.

Sales Tax Report: Mr. Solin discussed with the Board the Sales Tax Report.

LEGAL MATTERS

PIVOT Exclusion Request: Attorney Cockrel reported to the Board that he is working with PIVOT on the exclusion request. It was noted PIVOT is working on permitting matters.

Parking Easement In Gross between the District and FIOA for location of a Storage Building: The Board reviewed a Parking Easement In Gross between the District and FIOA for location of a temporary Storage Building in the District's surface parking lot.

Following discussion, upon motion duly made by Director McCormick, seconded by Director Russell and, upon vote, unanimously carried, the Board approved the Parking Easement In Gross between the District and FIOA for location of a temporary Storage Building in the District's surface parking lot, subject to final legal review.

CAPITAL MATTERS

Parking Structure Project: The Parking Structure Project was discussed in Executive Session. No action was taken by the Board at this time.

Regional Trail Project: There was no update at this time.

Retaining Wall Repair Work: Mr. Solin discussed with the Board the retaining wall repair work. It was noted that two walls will require repair work.

Proposal from Hilltop Securities for Municipal Advisory Services: Mr. Solin informed the Board that he has requested a proposal from Hilltop Securities for Municipal Advisory services in conjunction with the District's needed refunding by December 1, 2021. He anticipates having the proposal ready for Board review at the next meeting.

EXECUTIVE SESSION

EXECUTIVE SESSION: Parking Structure: Pursuant to Section 24-6-402(4) of the Colorado Revised Statutes, upon motion duly made by Director Russell, seconded by Director Turtle and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 1:27 p.m. for the purpose of receiving from the Board's attorney legal advice relating to the Aequus settlement proposal for transfer of Parking Structure as authorized by Section 24-6-402(4)(b) and (e), C.R.S. The executive session discussion constituted a privileged attorney-client

RECORD OF PROCEEDINGS

communication as provided by Section 24-6-402(4)(b), C.R.S. and, based on that opinion, no further record, written or electronic, was kept or required to be kept pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S.

The Board reconvened in regular session at 1:51 p.m.

OTHER MATTERS

There were no other matters.

ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made by Director Russell, seconded by Director Patrick and, upon vote, unanimously carried, the meeting was adjourned.

Respectfully submitted,

By: _____
Secretary for the Meeting

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE MIDCITIES METROPOLITAN DISTRICT NO. 2 HELD MARCH 25, 2021

A special meeting of the Board of Directors (referred to hereafter as “Board”) of the MidCities Metropolitan District No. 2 (referred to hereafter as “District”) was held on Thursday, the 25th day of March, 2021 at 1:00 p.m. Due to concerns regarding the spread of the Coronavirus (Covid-19) and the benefits to the control of the spread of the virus by limiting in person contact, this District Board meeting was held by conference call without any individuals (neither District Representatives or the General Public) attending in person. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Douglas McCormick
Greg Patrick
George Turtle
Charles Tash
Kael T. Russell

Also In Attendance Were:

David Solin; Special District Management Services, Inc.

Paul Cockrel; Collins; Cockrel & Cole, P.C.

Greg Lindsay, Esq., Murphy & Decker P.C.

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential Conflicts of Interest: Attorney Cockrel reported that, in accordance with statutory requirements, Disclosure of Potential Conflict of Interest Statements were previously filed by Directors McCormick with the District and the Secretary of State disclosing potential conflicts of interest, because of such Director respective previous or current ownership, directorship and officership interests in or employment relationships with companies which previously owned and developed property within the District and/or MidCities Metropolitan District No. 2 (referred to hereafter as “District No. 2” and together with the District, the “Districts”) or which were involved in the development of such property, including entering into various construction, funding, acquisition and reimbursement, and management contracts with the Districts, including without limitation the Funding Agreement, the Amended and Restated Reimbursement Agreement, the Parking Garage Lease Purchase Agreement and the Infrastructure Acquisition Agreement (collectively referred to hereafter as “Coalton Contracts”). Director Douglas McCormick has disclosed his former

RECORD OF PROCEEDINGS

involvement as a member, officer or director of, or as owners or creditors having a direct or indirect financial interest in, Alliance Commercial Holdings I, LLC (referred to hereafter as “Alliance Holdings”), which was the manager of Coalton Associates, LLC (referred to hereafter as “Coalton Associates”), which was a member and the sole owner of Coalton Acres, LLC (referred to hereafter as “Coalton Acres”), which had, but now has sold or disposed of, various land ownership and/or development interests within the Districts. Coalton Acres also was a member of Coalton Holdings, LLC (“Coalton Holdings” and together with Coalton Acres, “Coalton”), which also had, but now has disposed of, its land ownership and/or development interests within the District.

The Disclosure of Potential Conflict of Interest Statements were incorporated into the record of the meeting and will be deemed continuing until modified or withdrawn.

All Directors present stated that the participation of at least three of them in the regular 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 of each Director had previously been filed with the Districts and the Secretary of State in accordance with statutory requirements; and that the nature of each Director’s private interests related to the ownership, creditor or employment relationships or directorship or officership positions in companies, including Coalton, which formerly owned and developed property within the Districts, and is a party to and has interests under the Coalton Contracts. After each Director had summarily stated for the record the fact and nature of his private interests and further stated that the determination to participate in voting or to take any other action on any contract or other matter in which a Director 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 conflicts of interest of the Directors shall be deemed continuing in nature until withdrawn.

ADMINISTRATIVE MATTERS

Agenda: The Board reviewed the proposed Agenda for the District’s special meeting.

Following discussion, upon motion duly made by Director McCormick, seconded by Director Patrick and, upon vote, unanimously carried, the Agenda was approved, as presented.

Approval of Meeting Location: The Board entered into a discussion regarding the requirements of Section 32-1-903(1), C.R.S., concerning the location of the District Board meetings.

Following discussion, upon motion duly made by Director McCormick seconded by Director Patrick and, upon vote, unanimously carried, the Board determined that due to concerns regarding the spread of the Coronavirus (Covid-19) and the benefits to the

RECORD OF PROCEEDINGS

control of the spread of the virus by limiting in person contact, this District Board meeting will be held by conference call without any individuals (neither District Representatives or the General Public) attending in person on location.

PUBLIC COMMENT

There was no public comment.

EXECUTIVE SESSION

EXECUTIVE SESSION: Parking Structure: Pursuant to Section 24-6-402(4) of the Colorado Revised Statutes, upon motion duly made by Director McCormick, seconded by Director Russell and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 1:04 p.m. for the purpose of receiving from the Board's attorney legal advice relating to the Aequus settlement proposal for transfer of Parking Structure as authorized by Section 24-6-402(4)(b) and (e), C.R.S. The executive session discussion constituted a privileged attorney-client communication as provided by Section 24-6-402(4)(b), C.R.S. and, based on that opinion, no further record, written or electronic, was kept or required to be kept pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S.

The Board reconvened in regular session at 1:17 p.m.

OTHER MATTERS

Aequus Litigation Settlement Proposal: The Board deferred discussion.

ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made by Director Turtle, seconded by Director McCormick and, upon vote, unanimously carried, the meeting was adjourned.

Respectfully submitted,

By: _____
Secretary for the Meeting

MidCities Metropolitan District No. 2
March-21

| Vendor | Invoice # | Date | Due Date | Amount | Expense Account | Account Number | Department |
|-------------------------------------|------------------|-------------|-----------------|---------------|------------------------|-----------------------|-------------------|
| Collins Cockrel & Cole | 3031M 01/21 | 1/31/2021 | 1/31/2021 | \$ 509.50 | Legal | 9300 | 1 |
| Collins Cockrel & Cole | 3031M 01/21 | 1/31/2021 | 1/31/2021 | \$ 4,221.50 | Legal | 9300 | 2 |
| Simmons & Wheeler, PC | 28201 | 1/31/2021 | 1/31/2021 | \$ 1,066.25 | Accounting | 9050 | 1 |
| Simmons & Wheeler, PC | 30151 | 2/28/2021 | 2/28/2021 | \$ 535.00 | Accounting | 9050 | 1 |
| Special District Association | SDA- 2021 | 2/17/2021 | 2/17/2021 | \$ 530.25 | Insurance | 9200 | 1 |
| Special District Management Service | Feb-21 | 2/28/2021 | 2/28/2021 | \$ 952.00 | District Management | 9100 | 1 |
| Special District Management Service | Feb-21 | 2/28/2021 | 2/28/2021 | \$ 826.00 | Accounting | 9050 | 1 |
| Special District Management Service | Feb-21 | 2/28/2021 | 2/28/2021 | \$ 71.23 | Miscellaneous | 9450 | 1 |
| Tiarna Real Estate Services, Inc | 2021-02-01 | 2/1/2021 | 3/31/2021 | \$ 1,000.00 | Property Mgt/FOA | 7205 | 1 |
| Weathercraft Company of Colorado | 7953 | 2/25/2021 | 3/27/2021 | \$ 665.83 | Parking Garage | 7510 | 1 |

\$ 10,377.56

MidCities Metropolitan District No. 2
March-21

| | <u>General</u> | <u>Debt</u> | <u>Capital</u> | <u>Totals</u> |
|---|-------------------|---------------|-------------------|--------------------|
| Disbursements | \$ 6,156.06 | | \$ 4,221.50 | \$ 10,377.56 |
| Payroll | | - | | - |
| | | - | | |
| Total Disbursements from Checking Acct | \$6,156.06 | \$0.00 | \$4,221.50 | \$10,377.56 |

MidCities Metropolitan District No. 2
Apr-21

| Vendor | Invoice # | Date | Due Date | Amount | Expense Account | Account Number | Department |
|-------------------------------------|------------------|-------------|-----------------|---------------|------------------------|-----------------------|-------------------|
| Collins Cockrel & Cole | 3013M 03/21 | 3/31/2021 | 3/31/2021 | \$ 6,935.00 | Legal | 9300 | 2 |
| Collins Cockrel & Cole | 3013M 03/21 | 3/31/2021 | 3/31/2021 | \$ 4,194.00 | Legal | 9300 | 1 |
| Collins Cockrel & Cole | 3013M 02/21 | 2/28/2021 | 2/28/2021 | \$ 1,494.00 | Legal | 9300 | 2 |
| Collins Cockrel & Cole | 3013M 02/21 | 2/28/2021 | 2/28/2021 | \$ 589.00 | Legal | 9300 | 1 |
| Flatiron Owners Association | 002612 Q2-2021 | 4/1/2021 | 4/1/2021 | \$ 913.50 | Property Mgmt/FOA | 7205 | 1 |
| Flatiron Owners Association | 005534 Q2-2021 | 4/1/2021 | 4/1/2021 | \$ 7.02 | Property Mgmt/FOA | 7205 | 1 |
| Flatiron Owners Association | 003767 Q2-2021 | 4/1/2021 | 4/1/2021 | \$ 2,305.71 | Property Mgmt/FOA | 7205 | 1 |
| Flatiron Owners Association | 13206 Q2-2021 | 4/1/2021 | 4/1/2021 | \$ 647.74 | Property Mgmt/FOA | 7205 | 1 |
| Flatiron Owners Association | 002964 Q2-2021 | 4/1/2021 | 4/1/2021 | \$ 242.77 | Property Mgmt/FOA | 7205 | 1 |
| Flatiron Owners Association | 002583 Q2-2021 | 4/1/2021 | 4/1/2021 | \$ 6,045.50 | Property Mgmt/FOA | 7205 | 1 |
| Flatiron Owners Association | 002613 Q2-2021 | 4/1/2021 | 4/1/2021 | \$ 2,783.38 | Property Mgmt/FOA | 7205 | 1 |
| Flatiron Owners Association | 002611 Q2-2021 | 4/1/2021 | 4/1/2021 | \$ 595.91 | Property Mgmt/FOA | 7205 | 1 |
| Simmons & Wheeler, PC | 30275 | 3/31/2021 | 3/31/2021 | \$ 1,808.08 | Accounting | 9050 | 1 |
| Special District Management Service | Mar-21 | 3/31/2021 | 3/31/2021 | \$ 2,557.50 | District Management | 9100 | 1 |
| Special District Management Service | Mar-21 | 3/31/2021 | 3/31/2021 | \$ 686.00 | Accounting | 9050 | 1 |
| Special District Management Service | Mar-21 | 3/31/2021 | 3/31/2021 | \$ 35.44 | Miscellaneous | 9450 | 1 |
| Tiarna Real Estate Services, Inc. | 3/1/2021 | 3/31/2021 | 3/31/2021 | \$ 1,000.00 | Property Mgmt/FOA | 7205 | 1 |
| Weathercraft Company of Colorado | 8020 | 3/25/2021 | 3/25/2021 | \$ 665.83 | Parking Garage | 7510 | 2 |
| | | | | \$ 33,506.38 | | | |

| <u>Check Issue Date</u> | <u>Check Number</u> | <u>Payee</u> | <u>Amount</u> |
|-----------------------------|-------------------------|--------------------|-----------------|
| 04/26/2021 | 90082 | McCormick, Douglas | 277.05 |
| 04/26/2021 | 90083 | Turtle, George | 277.05 |
| 04/26/2021 | 90084 | Patrick, Gregory | 277.05 |
| 04/26/2021 | 90085 | Tash, Charles | 277.05 |
| 04/26/2021 | 90086 | Russell, Kael T. | 277.05 |
| Grand Totals: | | | |
| | <u>5</u> | | <u>1,385.25</u> |

MidCities Metropolitan District No. 2
April-21

| | <u>General</u> | <u>Debt</u> | <u>Capital</u> | <u>Totals</u> |
|---|--------------------|---------------|-------------------|--------------------|
| Disbursements | \$ 24,411.55 | | \$ 9,094.83 | \$ 33,506.38 |
| Payroll | 1,385.25 | - | | \$ 1,385.25 |
| | | - | | |
| Total Disbursements from Checking Acct | \$25,796.80 | \$0.00 | \$9,094.83 | \$34,891.63 |

MidCities Metropolitan District No. 2
May-21

| Vendor | Invoice # | Date | Due Date | Amount | Expense Account | Account Number | Department |
|-------------------------------------|------------------|-------------|-----------------|---------------|------------------------|-----------------------|-------------------|
| Collins Cockrel & Cole | 3013M 04/21 | 4/30/2021 | 4/30/2021 | \$ 6,697.50 | Legal | 9300 | 2 |
| Collins Cockrel & Cole | 3013M 04/21 | 4/30/2021 | 4/30/2021 | \$ 4,959.00 | Legal | 9300 | 1 |
| Plumb Techc | 10027 | 5/25/2021 | 5/25/2021 | \$ 2,450.00 | Repair & Maintenance | 7210 | 1 |
| Restruction Corporation | 19338-4 | 4/30/2021 | 5/30/2021 | \$ 311.00 | Parking Garage | 7510 | 2 |
| Simmons & Wheeler, PC | 30368 | 3/31/2021 | 4/9/2021 | \$ 211.25 | Accounting | 9050 | 1 |
| Simmons & Wheeler, PC | 30484 | 4/30/2021 | 4/30/2021 | \$ 453.75 | Accounting | 9050 | 1 |
| Special District Management Service | Apr-21 | 4/30/2021 | 4/30/2021 | \$ 896.00 | District Management | 9100 | 1 |
| Special District Management Service | Apr-21 | 4/30/2021 | 4/30/2021 | \$ 378.00 | Accounting | 9050 | 1 |
| Special District Management Service | Apr-21 | 4/30/2021 | 4/30/2021 | \$ 181.06 | Miscellaneous | 9450 | 1 |
| Tiarna Real Estate Services, Inc. | 5/1/2021 | 5/1/2021 | 5/1/2021 | \$ 1,000.00 | Property Mgmt/FOA | 7205 | 1 |
| Tiarna Real Estate Services, Inc. | 4/1/2021 | 4/1/2021 | 4/1/2021 | \$ 1,000.00 | Property Mgmt/FOA | 7205 | 1 |
| Weathercraft Company of Colorado | 8155 | 4/25/2021 | 5/25/2021 | \$ 665.83 | Parking Garage | 7510 | 2 |
| | | | | \$ 19,203.39 | | | |

MidCities Metropolitan District No. 2
May-21

| | <u>General</u> | <u>Debt</u> | <u>Capital</u> | <u>Totals</u> |
|---|--------------------|---------------|-------------------|--------------------|
| Disbursements | \$ 10,124.33 | | \$ 9,079.06 | \$ 19,203.39 |
| Payroll | | - | | \$ - |
| | | - | | |
| Total Disbursements from Checking Acct | \$10,124.33 | \$0.00 | \$9,079.06 | \$19,203.39 |

MidCities Metropolitan District No. 2
Financial Statements

March 31, 2021

ACCOUNTANT'S COMPILATION REPORT

Board of Directors
MidCities Metropolitan District No. 2

Management is responsible for the accompanying financial statements of each major fund of MidCities Metropolitan District No. 2, as of and for the period ended March 31, 2021, which are comprised of the Balance Sheet and the related Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Governmental Funds and account groups for the three months then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit the Statement of Net Position, Statement of Activities, Management Discussion and Analysis and all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's financial position and results of operations. Accordingly, the financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to MidCities Metropolitan District No. 2 because we performed certain accounting services that impaired our independence.

Simmons & Wheeler P.C.

May 10, 2021
Englewood, Colorado

MidCities Metropolitan District No. 2
Balance Sheet - Governmental Funds and Account Groups
March 31, 2021

See Accountant's Compilation Report

| | General <u>Fund</u> | Capital Projects <u>Fund</u> | Debt Service <u>Fund</u> | Account Groups | Total <u>All Funds</u> |
|--|------------------------|------------------------------------|--------------------------------|----------------------|---------------------------|
| Assets | | | | | |
| Current assets | | | | | |
| Checking | \$ 36,670 | \$ - | \$ - | \$ - | \$ 36,670 |
| Colotrust | 1,446,600 | 182 | 5 | - | 1,446,787 |
| UMB | - | 1,433,276 | 6,703,375 | - | 8,136,651 |
| Taxes due from County | 32,797 | - | 319,827 | - | 352,624 |
| Sales Taxes Receivable | - | - | 310,566 | - | 310,566 |
| Account Receivable -Other | 68,256 | - | - | - | 68,256 |
| Due (to)/from other funds | 263,775 | (255,679) | (8,096) | - | - |
| | <u>1,848,098</u> | <u>1,177,779</u> | <u>7,325,677</u> | <u>-</u> | <u>10,351,554</u> |
| Other assets | | | | | |
| Fixed assets | - | - | - | 10,213,162 | 10,213,162 |
| Amount available in debt service fund | - | - | - | 7,325,677 | 7,325,677 |
| Amount to be provided for retirement of debt | - | - | - | 48,386,323 | 48,386,323 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>65,925,162</u> | <u>65,925,162</u> |
| | <u>\$ 1,848,098</u> | <u>\$ 1,177,779</u> | <u>\$ 7,325,677</u> | <u>\$ 65,925,162</u> | <u>\$ 76,276,716</u> |
| Liabilities and Equity | | | | | |
| Current liabilities | | | | | |
| Accounts payable | \$ 12,255 | \$ 9,095 | \$ - | \$ - | \$ 21,350 |
| Payroll taxes payable | 479 | - | - | - | 479 |
| | <u>12,734</u> | <u>9,095</u> | <u>-</u> | <u>-</u> | <u>21,829</u> |
| Long Term liabilities | | | | | |
| General Obligation Bonds - 2016A | - | - | - | 46,125,000 | 46,125,000 |
| General Obligation Bonds - 2016B | - | - | - | 9,587,000 | 9,587,000 |
| Total liabilities | <u>12,734</u> | <u>9,095</u> | <u>-</u> | <u>55,712,000</u> | <u>55,733,829</u> |
| Fund Equity | | | | | |
| Investment in fixed assets | - | - | - | 10,213,162 | 10,213,162 |
| Fund balance (deficit) | 1,835,364 | 1,168,684 | 7,325,677 | - | 10,329,725 |
| | <u>1,835,364</u> | <u>1,168,684</u> | <u>7,325,677</u> | <u>10,213,162</u> | <u>20,542,887</u> |
| | <u>\$ 1,848,098</u> | <u>\$ 1,177,779</u> | <u>\$ 7,325,677</u> | <u>\$ 65,925,162</u> | <u>\$ 76,276,716</u> |

MidCities Metropolitan District No. 2
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Governmental Funds
For the Three Months Ended March 31, 2021
General Fund

See Accountant's Compilation Report

| | <u>Annual</u> <u>Budget</u> | <u>Actual</u> | <u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u> |
|---|--------------------------------|---------------------|---|
| Revenues | | | |
| Property taxes | \$ 139,350 | \$ 42,492 | \$ (96,858) |
| Specific ownership taxes | 119,979 | 36,010 | (83,969) |
| PILOT revenue | 120,000 | 81,381 | (38,619) |
| Interest Income | 20,000 | 307 | (19,693) |
| Miscellaneous Income | 1,000 | - | (1,000) |
| | <u>400,329</u> | <u>160,190</u> | <u>(240,139)</u> |
| Expenditures | | | |
| Accounting | 26,000 | 5,747 | 20,253 |
| District Management | 45,000 | 4,518 | 40,482 |
| Audit | 5,000 | - | 5,000 |
| Director's Fees | 3,600 | 1,500 | 2,100 |
| Insurance/SDA | 28,000 | 26,819 | 1,181 |
| Legal | 15,000 | 5,293 | 9,707 |
| Engineering | 10,000 | - | 10,000 |
| Miscellaneous Expense | 2,000 | 158 | 1,842 |
| Payroll Taxes | 300 | 115 | 185 |
| Treasurer's fees | 2,090 | 637 | 1,453 |
| Property Mgt/FOA | 100,000 | 18,012 | 81,988 |
| Repairs and Maintenance | 50,000 | - | 50,000 |
| Contingency | 1,674,471 | - | 1,674,471 |
| Emergency reserve | 8,610 | - | 8,610 |
| | <u>1,970,071</u> | <u>62,799</u> | <u>1,907,272</u> |
| Excess (deficiency) of revenues over expenditures | (1,569,742) | 97,391 | 1,667,133 |
| Fund balance beginning | <u>1,569,742</u> | <u>1,737,973</u> | <u>168,231</u> |
| Fund balance ending | <u>\$ -</u> | <u>\$ 1,835,364</u> | <u>\$ 1,835,364</u> |

MidCities Metropolitan District No. 2
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Governmental Funds
For the Three Months Ended March 31, 2021
Capital Projects Fund
See Accountant's Compilation Report

| | <u>Annual Budget</u> | <u>Actual</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|--------------------------|---------------------|---|
| Revenues | | | |
| Interest Income | \$ 15,000 | \$ 226 | \$ (14,774) |
| | <u>15,000</u> | <u>226</u> | <u>(14,774)</u> |
| Expenditures | | | |
| Trails | 315,000 | - | 315,000 |
| Legal | 35,000 | 12,651 | 22,349 |
| Parking Garage Structure | 600,000 | 10,262 | 589,738 |
| Retaining Wall - 505 Zang Street | 175,000 | - | 175,000 |
| Miscellaneous Improvements | 15,000 | - | 15,000 |
| | <u>1,140,000</u> | <u>22,913</u> | <u>1,117,087</u> |
| Excess (deficiency) of revenues over expenditures | (1,125,000) | (22,687) | 1,102,313 |
| Fund balance beginning | <u>1,125,000</u> | <u>1,191,371</u> | <u>66,371</u> |
| Fund balance (deficit) ending | <u>\$ -</u> | <u>\$ 1,168,684</u> | <u>\$ 1,168,684</u> |

MidCities Metropolitan District No. 2
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Governmental Funds
For the Three Months Ended March 31, 2021
Debt Service Fund
See Accountant's Compilation Report

| | <u>Annual</u> <u>Budget</u> | <u>Actual</u> | <u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u> |
|--|--------------------------------|---------------------|---|
| Revenues | | | |
| Property Taxes | \$ 1,806,947 | \$ 550,992 | \$ (1,255,955) |
| Property Taxes - Greystar | 272,653 | 133,760 | (138,893) |
| Property Taxes - Pathfinder Exclusion | 102,685 | 49,451 | (53,234) |
| Property Taxes - Filing 15 | 94,105 | 46,975 | (47,130) |
| Property Taxes - CPIII Exclusion | 147,931 | - | (147,931) |
| Bond Proceeds | 55,000,000 | - | (55,000,000) |
| Sales Tax Revenue | 2,200,000 | 445,407 | (1,754,593) |
| Interest Income | 45,657 | 1,009 | (44,648) |
| | <u>59,669,978</u> | <u>1,227,594</u> | <u>(58,442,384)</u> |
| Expenditures | | | |
| 2016A Bond and SWAP Interest | 1,627,444 | 401,287 | 1,226,157 |
| 2016A Bond Principal | 46,125,000 | - | 46,125,000 |
| 2016B Bond Interest | 900,000 | - | 900,000 |
| 2016B Bond Principal | 10,000,000 | - | 10,000,000 |
| Investment Advisor | 5,000 | - | 5,000 |
| Bond Issuance Costs | 1,650,000 | - | 1,650,000 |
| Trustee/Paying Agent Fees | 10,500 | 8,760 | 1,740 |
| Miscellaneous | 5,000 | - | 5,000 |
| Treasurer's Fees | 36,300 | 11,718 | 24,582 |
| | <u>60,359,244</u> | <u>421,765</u> | <u>59,937,479</u> |
| Excess (deficiency) of revenues over expenditures | (689,266) | 805,829 | 1,495,095 |
| Fund balance beginning | <u>5,605,210</u> | <u>6,519,848</u> | <u>914,638</u> |
| Fund balance (deficit) ending | <u>\$ 4,915,944</u> | <u>\$ 7,325,677</u> | <u>\$ 2,409,733</u> |

MIDCITIES METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2020

with

Independent Auditor's Report

DRAFT 6/8/2021 Pending Legal Update

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MIDCITIES METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2020

| | General | Debt Service | Capital Projects | Total | Adjustments | Statement of Net Position |
|---|---------------------|---------------------|---------------------|----------------------|------------------------|---------------------------|
| ASSETS | | | | | | |
| Cash and investments | \$ 1,482,020 | \$ - | \$ - | \$ 1,482,020 | \$ - | \$ 1,482,020 |
| Cash and investments - restricted | 245,627 | 6,154,664 | 1,198,426 | 7,598,717 | - | 7,598,717 |
| Accounts receivable: | | | | | | |
| County Treasurer | 10,269 | - | - | 10,269 | - | 10,269 |
| Sales/use taxes | - | 362,309 | - | 362,309 | - | 362,309 |
| Property taxes | 139,350 | 2,424,321 | - | 2,563,671 | - | 2,563,671 |
| Other | 13,125 | - | - | 13,125 | - | 13,125 |
| Prepaid expenses | 450 | 7,875 | - | 8,325 | - | 8,325 |
| Capital assets, net of accumulated depreciation | - | - | - | - | 7,380,955 | 7,380,955 |
| Capital assets, not being depreciated | - | - | - | - | 2,832,208 | 2,832,208 |
| Total Assets | 1,890,841 | 8,949,169 | 1,198,426 | 12,038,436 | 7,380,955 | 22,251,599 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred outflows from interest rate exchange agreement | - | - | - | - | 717,635 | 717,635 |
| Deferred cost on refunding | - | - | - | - | 189,768 | 189,768 |
| Total Deferred Outflows of Resources | - | - | - | - | 907,403 | 907,403 |
| Total Assets and Deferred Outflows of Resources | \$ 1,890,841 | \$ 8,949,169 | \$ 1,198,426 | \$ 12,038,436 | | |
| LIABILITIES | | | | | | |
| Accounts payable | \$ 13,518 | \$ 5,000 | \$ 7,055 | \$ 25,573 | - | 25,573 |
| Fair value of investment in interest rate exchange agreement | - | - | - | - | 717,635 | 717,635 |
| Accrued interest on bonds | - | - | - | - | 1,047,625 | 1,047,625 |
| Long-term liabilities: | | | | | | |
| Due within one year | - | - | - | - | 46,125,000 | 46,125,000 |
| Due in more than one year | - | - | - | - | 9,587,000 | 9,587,000 |
| Total Liabilities | 13,518 | 5,000 | 7,055 | 25,573 | 57,477,260 | 57,502,833 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Deferred property taxes | 139,350 | 2,424,321 | - | 2,563,671 | - | 2,563,671 |
| Total Deferred Inflows of Resources | 139,350 | 2,424,321 | - | 2,563,671 | - | 2,563,671 |
| FUND BALANCES/NET POSITION | | | | | | |
| Fund Balances: | | | | | | |
| Nonspendable: | | | | | | |
| Prepays | 450 | 7,875 | - | 8,325 | (8,325) | - |
| Restricted: | | | | | | |
| Emergencies | 8,610 | - | - | 8,610 | (8,610) | - |
| Debt service | - | 6,511,973 | - | 6,511,973 | (6,511,973) | - |
| Capital projects | - | - | 1,191,371 | 1,191,371 | (1,191,371) | - |
| Unassigned | 1,728,913 | - | - | 1,728,913 | (1,728,913) | - |
| Total Fund Balances | 1,737,973 | 6,519,848 | 1,191,371 | 9,449,192 | (9,449,192) | - |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 1,890,841 | \$ 8,949,169 | \$ 1,198,426 | \$ 12,038,436 | | |
| Net Position: | | | | | | |
| Restricted for: | | | | | | |
| Emergencies | | | | | 8,610 | 8,610 |
| Debt service | | | | | 5,464,348 | 5,464,348 |
| Capital projects | | | | | 1,191,371 | 1,191,371 |
| Unrestricted | | | | | (43,571,831) | (43,571,831) |
| Total Net Position | | | | | \$ (36,907,502) | \$ (36,907,502) |

The notes to the financial statements are an integral part of these statements.

DRAFT 6/8/2021 Pending Legal Update

MIDCITIES METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS For the Year Ended December 31, 2020

| | <u>General</u> | <u>Debt Service</u> | <u>Capital Projects</u> | <u>Total</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|-------------------------------------|---------------------|-------------------------|-----------------------------|---------------------|-----------------------|--|
| EXPENDITURES | | | | | | |
| General expenses: | | | | | | |
| Accounting | \$ 18,774 | \$ - | \$ - | \$ 18,774 | \$ - | \$ 18,774 |
| Audit | 4,838 | - | - | 4,838 | - | 4,838 |
| Property management | 77,541 | - | - | 77,541 | - | 77,541 |
| District management | 19,126 | - | - | 19,126 | - | 19,126 |
| Directors fees | 3,200 | - | - | 3,200 | - | 3,200 |
| Election expense | 1,244 | - | - | 1,244 | - | 1,244 |
| Payroll taxes | 245 | - | - | 245 | - | 245 |
| Insurance | 26,642 | - | - | 26,642 | - | 26,642 |
| Miscellaneous expense | 1,526 | - | - | 1,526 | - | 1,526 |
| Legal | 23,129 | - | - | 23,129 | - | 23,129 |
| Engineering | 46,989 | - | - | 46,989 | - | 46,989 |
| Treasurer's fees | 2,061 | 34,720 | - | 36,781 | - | 36,781 |
| Capital outlay | - | - | 260,327 | 260,327 | (260,327) | - |
| Depreciation expense | - | - | - | - | 306,512 | 306,512 |
| Debt service: | | | | | | |
| Bond principal | - | 1,375,000 | - | 1,375,000 | (1,375,000) | - |
| Bond interest expense | - | 1,665,586 | - | 1,665,586 | 957,744 | 2,623,330 |
| Investment advisor | - | 5,000 | - | 5,000 | - | 5,000 |
| Paying agent fees | - | 11,105 | - | 11,105 | - | 11,105 |
| Total Expenditures | 225,315 | 3,091,411 | 260,327 | 3,577,053 | (371,071) | 3,205,982 |
| GENERAL REVENUES | | | | | | |
| Property taxes | 137,269 | 2,313,354 | - | 2,450,623 | - | 2,450,623 |
| Specific ownership taxes | 136,694 | - | - | 136,694 | - | 136,694 |
| PILOT revenue | 120,756 | - | - | 120,756 | - | 120,756 |
| Sales tax revenue | - | 2,117,305 | - | 2,117,305 | - | 2,117,305 |
| Interest income | 11,377 | 31,459 | 7,884 | 50,720 | - | 50,720 |
| Miscellaneous income | 296 | - | - | 296 | - | 296 |
| Total General Revenues | 406,392 | 4,462,118 | 7,884 | 4,876,394 | - | 4,876,394 |
| NET CHANGES IN FUND BALANCES | 181,077 | 1,370,707 | (252,443) | 1,299,341 | (1,299,341) | |
| CHANGE IN NET POSITION | | | | | 1,670,412 | 1,670,412 |
| FUND BALANCES/NET POSITION: | | | | | | |
| BEGINNING OF YEAR | <u>1,556,896</u> | <u>5,149,141</u> | <u>1,443,814</u> | <u>8,149,851</u> | <u>(46,727,765)</u> | <u>(38,577,914)</u> |
| END OF YEAR | <u>\$ 1,737,973</u> | <u>\$ 6,519,848</u> | <u>\$ 1,191,371</u> | <u>\$ 9,449,192</u> | <u>\$(46,356,694)</u> | <u>\$(36,907,502)</u> |

The notes to the financial statements are an integral part of these statements.

DRAFT 6/8/2021 Pending Legal Update

MIDCITIES METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2020

| | Original & Final | | Variance |
|----------------------------|------------------|---------------------|-----------------------------------|
| | <u>Budget</u> | <u>Actual</u> | Favorable <u>(Unfavorable)</u> |
| REVENUES | | | |
| Property taxes | \$ 137,553 | \$ 137,269 | \$ (284) |
| Specific ownership taxes | 135,916 | 136,694 | 778 |
| PILOT revenue | 125,000 | 120,756 | (4,244) |
| Interest income | 25,000 | 11,377 | (13,623) |
| Miscellaneous income | <u>3,000</u> | <u>296</u> | <u>(2,704)</u> |
| Total Revenues | <u>426,469</u> | <u>406,392</u> | <u>(20,077)</u> |
| EXPENDITURES | | | |
| Accounting | 25,000 | 18,774 | 6,226 |
| Audit | 4,800 | 4,838 | (38) |
| Property management | 100,000 | 77,541 | 22,459 |
| District management | 45,000 | 19,126 | 25,874 |
| Repair and maintenance | 50,000 | - | 50,000 |
| Directors fees | 3,600 | 3,200 | 400 |
| Election expense | 5,000 | 1,244 | 3,756 |
| Payroll taxes | 300 | 245 | 55 |
| Insurance | 31,000 | 26,642 | 4,358 |
| Miscellaneous expense | 1,000 | 1,526 | (526) |
| Legal | 25,000 | 23,129 | 1,871 |
| Engineering | 5,000 | 46,989 | (41,989) |
| Treasurer's fees | 2,063 | 2,061 | 2 |
| Contingency | 1,549,279 | - | 1,549,279 |
| Emergency reserve | <u>8,933</u> | <u>-</u> | <u>8,933</u> |
| Total Expenditures | <u>1,855,975</u> | <u>225,315</u> | <u>1,630,660</u> |
| NET CHANGE IN FUND BALANCE | (1,429,506) | 181,077 | 1,610,583 |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | <u>1,429,506</u> | <u>1,556,896</u> | <u>127,390</u> |
| END OF YEAR | <u>\$ -</u> | <u>\$ 1,737,973</u> | <u>\$ 1,737,973</u> |

The notes to the financial statements are an integral part of these statements.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies

The accounting policies of MidCities Metropolitan District No. 2, (“District”), located in the City and County of Broomfield, Colorado, (“County”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on November 6, 1998, as a quasi-municipal organization established under the State of Colorado Special District Act to pay for various services and facilities which were previously provided by MidCities Metropolitan District No. 1 (“District No. 1”). The two districts worked together to serve the development and to provide the necessary public improvements and services as required by the Development Agreement. District No. 1 is referred to in both Service Plans as the “Service District” and the District is referred to as the “Tax District”. The Districts were established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District is required to generate property tax revenue sufficient to pay the costs of operations and some of the debt service for public improvements. The District is governed by an elected Board of Directors.

During 2017 MidCities Metropolitan District No. 1 was dissolved and all functions and obligations were assigned to the District.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

The District has no employees and all operations and administrative functions are contracted.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
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Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

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The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

Assets, Liabilities and Net Position:

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2020, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a minimum number of bank accounts. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
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Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The deferred cost on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows from an interest rate exchange agreement are expected outflows that will be recognized in future periods.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District only has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Original Issue Premium, Prepaid Debt Insurance and Deferred costs on bond refunding

Deferred costs on bond refunding from the Series 2016A Bonds are being amortized over the term of the bonds using the straight-line method. Accumulated amortization of deferred cost on refunding amounted to \$879,839 at December 31, 2020.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

| | |
|--|----------|
| Infrastructure including trails, walls, streets, storm drainage and parking structures: | 40 years |
| Monuments: | 10 years |

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Property owners within the boundaries of the District have been assessed \$2,563,671 for 2020. Since these taxes are not normally available to the District in 2020, they are classified as deferred income until 2021.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
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Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of \$450 and in the Debt Service Fund of \$7,875 represent prepaid insurance expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$8,610 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$6,511,973 is restricted for the payment of the debt service costs associated with the 2016 Bonds (see Note 4).

The restricted fund balance in the Capital Projects Fund in the amount of \$1,191,371 is restricted for the payment of the costs for capital improvements within the District.

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

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Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report up to three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2020, cash and investments are classified in the accompanying financial statements as follows:

| | |
|-----------------------------------|---------------------|
| Statement of Net Position: | |
| Cash and investments | \$ 1,482,020 |
| Cash and investments – Restricted | <u>7,598,717</u> |
| Total | <u>\$ 9,080,737</u> |

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Cash and investments as of December 31, 2020, consist of the following:

| | |
|--------------------------------------|---------------------|
| Deposits with financial institutions | \$ 65,926 |
| Investments - COLOTRUST | 1,424,892 |
| Investments - CSAFE | <u>7,589,919</u> |
| | <u>\$ 9,080,737</u> |

Deposits:

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

The District adopted a policy to comply with state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments:

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investments are not required to be categorized within the fair value hierarchy. The COLOTRUST investment’s value is calculated using the net asset value method (NAV) per share while the CSAFE investment’s value is calculated using the amortized cost method.

Credit Risk

The District’s investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District’s investments are subject to custodial or concentration of credit risk.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

As of December 31, 2020, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2020, the District had \$1,424,892 invested in COLOTRUST.

CSAFE

The local government investment pool Colorado Surplus Asset Fund Trust (“CSAFE”), is rated AAAM by Standard and Poor’s with a weighted average maturity of under 60 days. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. CSAFE is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE’s portfolio pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE’s investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodians’ internal records identify the investments owned by CSAFE. At December 31, 2020, the District had \$7,589,919 invested in CSAFE.

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MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2020, is as follows:

| | Balance 1/1/2020 | Additions | Retirements | Balance 12/31/2020 |
|---|----------------------|--------------------|-------------|-----------------------|
| <u>Capital assets, being depreciated:</u> | | | | |
| Regional trails | \$ 366,424 | \$ - | \$ - | \$ 366,424 |
| Retaining walls | 2,765,679 | 95,719 | - | 2,861,398 |
| Monuments | 763,133 | - | - | 763,133 |
| Streets | 2,093,701 | - | - | 2,093,701 |
| Parking lot | 1,123,265 | - | - | 1,123,265 |
| Storm drainage | 1,442,747 | - | - | 1,442,747 |
| Parking garage | 4,420,818 | - | - | 4,420,818 |
| Total infrastructure | <u>12,975,767</u> | <u>95,719</u> | <u>-</u> | <u>13,071,486</u> |
| Accumulated depreciation | <u>(5,384,019)</u> | <u>(306,512)</u> | <u>-</u> | <u>(5,690,531)</u> |
| Total capital assets being depreciated: | <u>7,591,748</u> | <u>(210,793)</u> | <u>-</u> | <u>7,380,955</u> |
| <u>Capital assets, not being depreciated:</u> | | | | |
| Construction in progress | 258,012 | 164,608 | - | 422,620 |
| Land and easements | <u>2,409,588</u> | <u>-</u> | <u>-</u> | <u>2,409,588</u> |
| Total capital assets not being depreciated: | <u>2,667,600</u> | <u>164,608</u> | <u>-</u> | <u>2,832,208</u> |
| Total capital assets | <u>\$ 10,259,348</u> | <u>\$ (46,185)</u> | <u>\$ -</u> | <u>\$ 10,213,163</u> |

In 2007, District No. 1 conveyed some of its capital assets to the City and County of Broomfield, Colorado. During 2017, District No. 1 conveyed to the District its remaining assets, some of which had already been partially depreciated by District No. 1 and current depreciation on these assets were recorded by the District starting in 2018. The capital assets will be maintained by the District with the exception of any construction in progress that is anticipated to be conveyed to other governmental entities.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2020

Note 4: Long-Term Debt

The following is an analysis of changes in long-term obligations for the year ended December 31, 2020:

| | Balance 1/1/2020 | Additions | Deletions | Balance 12/31/2020 | Current Portion |
|--|----------------------|-------------|---------------------|-----------------------|---------------------|
| <u>Bonds from direct borrowing and</u> | | | | | |
| <u>direct placements:</u> | | | | | |
| Special Revenue Refunding and Improvement Bonds, Series 2016A | \$ 47,500,000 | \$ - | \$ 1,375,000 | \$ 46,125,000 | \$46,125,000 |
| Subordinate Special Revenue Refunding Bonds, Series 2016B | 9,587,000 | - | - | 9,587,000 | - |
| Total Long-term debt | <u>\$ 57,087,000</u> | <u>\$ -</u> | <u>\$ 1,375,000</u> | <u>\$ 55,712,000</u> | <u>\$46,125,000</u> |

A description of the long-term obligations as of December 31, 2020, is as follows:

General Obligation Refunding and Improvement Bonds, Series 2006

On July 12, 2006 the District issued \$24,400,000 of General Obligation Refunding and Improvements Bonds Series 2006 (“Bonds”). The purpose of the Bonds was to 1) refund all of the District’s outstanding general obligation debt; 2) finance the acquisition of land and the construction and acquisition of public improvements; 3) fund capitalized interest; 4) fund the Reserve Fund and 5) pay for the costs of issuing the bonds. The interest rate varied from 4.000% to 5.125% consisting of serial bonds due annually commencing on December 1, 2010. Interest was paid semi-annually on June 1st and December 1st commencing on December 1, 2006. The Bonds were secured by pledged revenues derived by the required mill levy on the property. Additionally, the Bonds and interest were insured as to repayment by Radian Asset Assurance, Inc. (“Radian”). During March 2016, Standard & Poor’s upgraded the rating of Radian to “BBB-”.

The Series 2006 Bonds were defeased on October 3, 2016, in conjunction with the issuance of the Series 2016A and Series 2016B Bonds.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Special Revenue Refunding and Improvement Bonds, Series 2016A

On October 3, 2016, the District issued \$51,975,000 of Special Revenue Refunding and Improvement Bonds, Series 2016A, (“Series 2016A Bonds”) dated October 3, 2016, for the purpose (a) paying Project Costs, (b) paying the costs of refunding all of the Series 2006 Bonds of District No. 2 and some of the 2004 Bonds of District No. 1, (c) funding the Reserve Fund in the amount of the Reserve Requirement and (d) paying other costs in connection with the issuance of the Series 2016A Bonds. The bonds bear interest at the rate of 1.64% plus 70% of the One Month LIBOR Rate, payable monthly on the first New York Business Day of every month, commencing on November 1, 2016. In order to effectively convert this variable rate to a fixed rate, the District entered into a SWAP agreement to achieve a “synthetic” interest rate of 3.48% (See Note 5). The Series 2016A Bonds mature on December 1, 2021, are subject to a mandatory sinking fund redemption commencing on December 1, 2016, and are subject to early redemption at the option of the District on any date prior to the Maturity Date with a prepayment fee. The 2016A Bonds are secured by Pledged Revenues including (i) the Required Mill Levy, (ii) all amounts received from the City pursuant to the City Agreement (sales and use taxes), (iii) all Counterparty Net Regularly Scheduled Swap payments received by the District from the Exchange Agreement Provider under the 2016 Exchange Agreement (see Note 5), (iv) any Termination payments received the by District, and (v) any other legally available monies which the District determines, in its absolute discretion, to credit to the Bond Fund.

Current refunding of debt

The 2016A Bonds were issued to provide resources to purchase securities to be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the Series 2006 Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,069,607. This amount is recorded as a deferred outflow and is being amortized over remaining life of the new debt issued. The refunding resulted in an economic gain of \$922,271 due to the average interest rate of the Series 2016 Bonds being lower than the refunded bonds.

MIDCITIES METROPOLITAN DISTRICT NO. 2

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Events of Default as defined in the Series 2016A Bond Indenture are 1) the failure of the District to impose the Required Mill levy, or to apply the Pledged Revenue as required by the Indenture, 2) the failure of the District to pay the principal of or redemption premium or Prepayment Fee, if applicable, when due, 3) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture or the Bond Resolution, and failure to remedy the same after notice thereof, provided, however, that any draw on the Surplus Fund or the Reserve Fund shall not constitute an Event of Default, 4) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds, 5) determination, decision, or decree by the IRS or other court which results in interest payable on the Series 2016A Bonds becoming includable in the gross income of an owner, unless appealed or contested in good faith by the District, and 6) receipt by the Trustee of written notice from the purchaser stating that an “Event of Default” has occurred and is continuing under the Continuing Covenant Agreement. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2016A Bonds is not an available remedy for an Event of Default.

The debt service requirements for the Series 2016A Bonds for years ending after December 31, 2020, are as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|------|----------------------|---------------------|----------------------|
| 2021 | \$ 46,125,000 | \$ 1,627,444 | \$ 47,752,444 |
| | <u>\$ 46,125,000</u> | <u>\$ 1,627,444</u> | <u>\$ 47,752,444</u> |

Subordinate Special Revenue Refunding Bonds, Series 2016B

On October 3, 2016, the District issued \$9,725,000 of Subordinate Special Revenue Refunding Bonds, Series 2016B, (“Series 2016B Bonds”) dated October 3, 2016, for the purpose of (a) paying a portion of the costs of refunding District No. 1’s Series 2004 Bonds and (b) paying the costs of issuing the bonds. The Series 2016B Bonds bear interest at the rate of 7.75%, payable to the extent of Subordinate Pledged Revenue available annually on each December 15, commencing on December 15, 2016, and mature on December 15, 2046. The Series 2016B Bonds are subject to early redemption at the option of the District and are also subject to mandatory redemption under certain circumstances as set forth in the Trust Indenture.

Because of the cash flow nature of the bonds and the uncertainty of the timing of principal and interest payments, no schedule of debt service requirements is presented.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
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Events of Default as defined in the Series 2016B Bond Indenture are 1) the failure of the District to impose the Required Mill levy, or to apply the Pledged Revenue as required by the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture or the Bond Resolution, and failure to remedy the same after notice thereof pursuant to the Indenture, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2016B Bonds is not an available remedy for an Event of Default nor shall the District be subject to punitive or consequential damages.

The District had no unused lines of credit as of December 31, 2020.

Note 5: Interest Rate Exchange Agreement

On October 3, 2016, the District entered into an Interest Rate Exchange Agreement (“Swap Agreement”) with U.S. Bank N.A. Under the Swap Agreement, the District pays a fixed interest rate of 1.84% plus an incremental amount to equal 3.48%, for the period from October 3, 2016, through December 1, 2046 plus a swap advisory fee. The effective date of the Swap Agreement was October 3, 2016, and the termination date is December 1, 2046. The purpose of the Swap Agreement is for the District to create a synthetic fixed interest rate on its variable rate loan of 3.48%. The original notional amount of the Swap Agreement was \$51,975,000. At December 31, 2020, the fair value and the notional amount of the Swap Agreement was (\$717,635) and \$46,125,000, respectively. The notional amount is equal to the principal balance outstanding on the Series 2016A Bonds as of that date. The District pays a fixed interest rate of 3.48% on the notional amount as described above. The variable rate of interest is 70% of the 1-Month USD-LIBOR-BBA rate.

The fair value of the interest rate exchange agreement was calculated by Hilltop Securities Inc. on their report dated January 5, 2021. Their valuation was performed using Level 2 inputs and used pricing models that incorporated all the contractual terms of the swap. The resulting fair market value represents the present value of the floating leg cash flows minus the present value of the fixed leg cash flows.

Credit Risk

The District’s Swap Agreement relies upon the performance of the counterparty and as a result the District is exposed to a credit risk – i.e. the risk that the counterparty fails to perform according to its contractual obligations. As of December 31, 2020, the District had no net exposure to actual credit risk on its hedging derivative as the swap is a liability of the District. U.S. Bank N.A. was rated A1 by Moody’s Investors Service as of December 31, 2020.

Basis Risk

The District was not exposed to basis risk as the variable rate paid to the holders of the variable rate debt is equivalent to the variable interest rate received on the Swap Agreement.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Termination Risk

The District's Swap Agreement does not contain any out-of-the-ordinary termination events that would expose it to significant termination risk.

Rollover Risk

The District is not exposed to rollover risk as the Swap Agreement's termination date is the same date as the maturity date of the associated debt.

Foreign Currency Risk

The Swap Agreement is denominated in US Dollars and therefore the District is not exposed to foreign currency risk.

Interest Rate Risk

The District was not exposed to interest rate risk as the Swap Agreement effectively converts the variable rate debt into fixed rate debt.

Note 6: Debt Authorization:

At elections held November 3, 1998; November 2, 1999, November 6, 2000 and November 2, 2004, a majority of the qualified electors of the District who voted in the elections authorized the issuance of general obligation indebtedness in an amount not to exceed \$119,230,000 for providing public improvements and \$128,080,000 for refunding of previously issued indebtedness. After the issuance of the 2016 Bonds, the District has approximately \$98,576,664 in public infrastructure authorization remaining. The District has budgeted to refinance the existing debt during 2021.

Note 7: Related Party Transactions:

Some of the members of the Board of Directors were formerly employed by the developer of the development or were formerly employed by entities which conduct business with such developer or are former development partners or officers of such developer. Such directors, therefore, may have potential conflicts of interest with respect to matters which come before the Board of Directors with respect to any prior agreements with such developer.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Note 8: Commitments:

Sales and Use Tax Reimbursement Agreement

On November 30, 2004, the District entered into a Sales and Use Tax Reimbursement Agreement with District No. 1 and the City and County of Broomfield, Colorado (“City”). City payments under the agreement are pledged to the repayment of the Series 2004A and 2004B Bonds of District No. 1. The City payment consists of 65% of the 3.5% Sales Tax that is collected within the boundaries of the District and 50% of the 3.5% Use Tax levied on commercial buildings and construction materials. The City agrees to deposit the revenues into a Special Fund of the City. The termination date of this agreement is the earlier of (i) the date which all of the District No. 1 bonds, any associated liabilities, and any reimbursements due from the District are no longer outstanding, or (ii) July 9, 2032. On October 3, 2016, the District approved the Amended and Restated Sales and Use Tax Reimbursement Agreement which replaced this agreement.

Amended and Restated Sales and Use Tax Reimbursement Agreement

On October 3, 2016, the District, District No. 1 and the City entered into an Amended and Restated Sales and Use Tax Reimbursement Agreement. City payments under the agreement are pledged to the repayment of the Series 2016A Bonds and Series 2016B Bonds issued by the District, as well as any District bonds subsequently issued to refund the 2016 Bonds. The City payment consists of 65% of the 3.5% Sales Tax that is collected within the boundaries of the Districts and 50% of the 3.5% Use Tax levied on commercial buildings and construction materials. The City agrees to deposit the revenues into a Special Fund maintained the City. The Original Reimbursement Obligation to the City has been extended from July 10, 2031, through July 9, 2041, provided that the District imposes a debt service mill levy to repay the City under this agreement. The termination of this agreement is the later of (i) the date on which all of the District Bonds are no longer outstanding under any Indenture and any amounts owing to the issuer of any letter of credit, liquidity, facility, standby bond purchase agreement, insurance policy or other credit or liquidity instrument issued in connection with any District Bonds have been paid and (ii) the Extended Reimbursement Obligation has been repaid to the City.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Amended and Restated Master Intergovernmental Agreement (“Master IGA”)

Dated November 30, 2004, this Master IGA establishes the obligations of MidCities Metropolitan Districts No. 1 and No. 2. District No. 1 shall acquire, construct, complete, manage, operate, maintain and repair any public improvements owned by District No.1 and shall generally administer the operations and business of the Districts, including, without limitation, the payment of all costs associated therewith. The District agrees to budget and appropriate that amount from legally available funds and impose a mill levy no greater than 3.000 mills to fund such amounts. The District shall impose a mill levy sufficient to pay all current or past due interest and principal amounts due on the District’s Bonds. All specific ownership taxes imposed by a mill levy in the District shall be transferred to District No. 1 to pay the administrative and operating expenses of the Districts. Additionally, the District shall impose a mill levy without limitation as to the rate to fulfill the District’s debt service obligations and District No. 1’s obligations to maintain the reserve requirements on the Series 2004A and Series 2004B Bonds, if the proceeds from the Sales and Use taxes are not sufficient for such purposes. As part of District No. 1’s LOC extension related to its Series 2004A and Series 2004B Bonds, the District was required to certify an additional debt service mill levy of 9 mills. These funds were budgeted and transferred to District No. 1.

On September 26, 2016, this agreement was modified by the Second Amended and Restated Master Intergovernmental Agreement which further detailed the methods and procedures for the cooperation between the Districts in conjunction with the refunding all the Districts bonds.

Intergovernmental Agreement with the City and County of Broomfield

MidCities Metropolitan Districts Nos. 1 & 2 and the City and County of Broomfield entered into an Intergovernmental Agreement which outlines the Districts’ obligations for the financing and construction of the public infrastructure within the boundaries of the Districts. It was amended on December 12, 2000 to include the issuance of additional debt of approximately \$15,000,000 for the District. On October 19, 2001, it was again amended to authorize the issuance of additional bonds by the Districts in 2001 and the redemption of the District No. 1’s 1998 bonds. On June 27, 2006 it was amended again to include the issuance of the District’s bonds for \$24,400,000 and the redemption of the Series 2000 and Series 2001A bonds. On October 3, 2016, it was amended again to authorize the consolidation of all outstanding indebtedness of the Districts by refunding at a lower interest rate the District’s outstanding Series 2006 Bonds and the District No. 1’s Series 2004A and Series 2004B Bonds, causing the termination of the District’s general obligation regarding the guarantee the payment of all Series 2004 Bonds, improving, completing, repairing and replacing the Districts’ public infrastructure and paying the costs of the issuance of all Series 2016 Bonds. This amendment also limited the total debt of the Districts to \$74,000,000 unless approved by the City, and in conjunction with the issuance on the 2016 Bonds, the City agreed to extend the term of the Tax Reimbursement Agreement for an additional 10 years subject to additional terms as per the Amended and Restated Tax Reimbursement Agreement with the City.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Note 9: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights (“TABOR”), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year’s Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Note 10: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

Note 11: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) unamortized debt insurance and deferred loss on refunding are not financial resources and, therefore are not reported in the funds;
- 2) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 3) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and,
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

Note 16: Subsequent Event

On March 14, 2020, the District Court in City and County of Broomfield, Colorado, served a Summons and Complaint brought by Aequus Partners, LLC (“Aequus”) against the District alleging, among other matters, unspecified damages for breach of contract and breach of duty of good faith and fair dealings in connection with the District’s operation, maintenance and repair of a public parking facility on property owned by the District but which is interconnected with Aequus’ adjacent property. Before filing the Complaint, Aequus had demanded reimbursement of its costs in an amount exceeding \$85,000 for repairs to interior structures from water damage allegedly caused by the condition of the parking facility.

MIDCITIES METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2020

The District has requested its insurance carrier, the Colorado Special Districts Property and Liability Pool (the "Pool"), both to cover the Aequus damage claim and to defend the Aequus litigation. The Pool has agreed to defend the Complaint under a reservation of rights letter and has engaged special defense counsel to represent the District in the Aequus litigation. An Answer to the Complaint and other pleadings have been filed. The parties are now in negotiations through the Judicial Arbiter Group to settle this matter.

The total claimed damages are \$1,995,416.71, however, the District disputes these damages. The District through its experts contends that the repairs are excessive or can be made in a more cost effective manner. The parties are working on the framework of a settlement which would be contingent upon resolution of the property damage claim.

! – *Legal to update*

SUPPLEMENTAL INFORMATION

DRAFT 6/8/2021 Pending Legal Update

MIDCITIES METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2020

| | Original & Final <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|----------------------------|-----------------------------------|---------------------|--|
| REVENUES | | | |
| Property taxes | \$ 2,317,051 | \$ 2,313,354 | \$ (3,697) |
| Sales tax revenue | 2,600,000 | 2,117,305 | (482,695) |
| Interest income | <u>80,000</u> | <u>31,459</u> | <u>(48,541)</u> |
| Total Revenues | <u>4,997,051</u> | <u>4,462,118</u> | <u>(534,933)</u> |
| EXPENDITURES | | | |
| Bond principal | 1,375,000 | 1,375,000 | - |
| Bond interest expense | 2,580,550 | 1,665,586 | 914,964 |
| Investment advisor | 5,000 | 5,000 | - |
| Paying agent fees | 10,500 | 11,105 | (605) |
| Miscellaneous expenses | 5,000 | - | 5,000 |
| Treasurer's fees | <u>34,932</u> | <u>34,720</u> | <u>212</u> |
| Total Expenditures | <u>4,010,982</u> | <u>3,091,411</u> | <u>919,571</u> |
| NET CHANGE IN FUND BALANCE | 986,069 | 1,370,707 | 384,638 |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | <u>4,667,485</u> | <u>5,149,141</u> | <u>481,656</u> |
| END OF YEAR | <u>\$ 5,653,554</u> | <u>\$ 6,519,848</u> | <u>\$ 866,294</u> |

The notes to the financial statements are an integral part of these statements.

DRAFT 6/8/2021 Pending Legal Update

MIDCITIES METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year Ended December 31, 2020

| | Original & Final <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|----------------------------|-----------------------------------|---------------------|---|
| REVENUES | | | |
| Interest income | \$ <u>30,000</u> | \$ <u>7,884</u> | \$ <u>(22,116)</u> |
| Total Revenues | <u>30,000</u> | <u>7,884</u> | <u>(22,116)</u> |
| EXPENDITURES | | | |
| Capital outlay | <u>1,455,000</u> | <u>260,327</u> | <u>1,194,673</u> |
| Total Expenditures | <u>1,455,000</u> | <u>260,327</u> | <u>1,194,673</u> |
| NET CHANGE IN FUND BALANCE | (1,425,000) | (252,443) | 1,172,557 |
| FUND BALANCE: | | | |
| BEGINNING OF YEAR | <u>1,425,000</u> | <u>1,443,814</u> | <u>18,814</u> |
| END OF YEAR | <u>\$ -</u> | <u>\$ 1,191,371</u> | <u>\$ 1,191,371</u> |

The notes to the financial statements are an integral part of these statements.

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION – UNAUDITED

**MidCities Metropolitan District No. 2
Continuing Disclosures Certificate, Exhibit B
December 31, 2020**

History of Sales Taxes Remitted by the City

| <u>Fiscal Year</u> | <u>Pledged Sales Tax Collections</u> | <u>Percent Change</u> |
|--------------------|--------------------------------------|-----------------------|
| 2013 | \$1,799,257 | -- |
| 2014 | \$1,865,037 | 3.66% |
| 2015 | \$1,934,148 | 3.71% |
| 2016 | \$2,046,275 | 5.80% |
| 2017 | \$2,202,168 | 7.62% |
| 2018 | \$2,384,831 | 8.29% |
| 2019 | \$2,623,129 | 9.99% |
| 2020 | \$2,107,638 | -19.65% |

History of Use Taxes Remitted by the City

| <u>Fiscal Year</u> | <u>Pledged Use Tax Collections</u> | <u>Percent Change</u> |
|--------------------|------------------------------------|-----------------------|
| 2013 | \$9,437 | -- |
| 2014 | \$13,176 | 39.62% |
| 2015 | \$16,742 | 27.06% |
| 2016 | \$147,632 | 781.81% |
| 2017 | \$58,486 | -60.38% |
| 2018 | \$14,740 | -74.80% |
| 2019 | \$14,913 | 1.17% |
| 2020 | \$9,678 | -35.10% |

Generators of Sales Taxes within the District

| | <u>2020</u> | <u>2019</u> |
|----|---------------------|---------------------|
| 1 | Retail Store | Retail Store |
| 2 | Eating and Drinking | Eating and Drinking |
| 3 | Eating and Drinking | Eating and Drinking |
| 4 | Retail Store | Retail Store |
| 5 | Hotels and Lodging | Hotels and Lodging |
| 6 | Hotels and Lodging | Hotels and Lodging |
| 7 | Eating and Drinking | Eating and Drinking |
| 8 | Eating and Drinking | Eating and Drinking |
| 9 | Retail Store | Retail Store |
| 10 | Retail Store | Retail Store |

* Source: City & County of Broomfield. The above chart sets forth the estimated and historic top ten Sales Tax Generators in the City and County. Gross sales of generating entities are confidential.

**MidCities Metropolitan District No. 2
Continuing Disclosures Certificate, Exhibit B
December 31, 2020**

History of Assessed Valuations for the District and Excluded Property

| Levy/ Collection Year | Property Within the District | 2001 Excluded Property | 2007 Excluded Property | 2012 Excluded Property | Total |
|-----------------------------|------------------------------------|------------------------------|------------------------------|------------------------------|--------------|
| 2013/2014 | \$36,532,850 | \$6,344,210 | \$1,235,660 | \$1,045,410 | \$45,158,130 |
| 2014/2015 | \$36,119,444 | \$6,287,445 | \$1,961,780 | \$1,271,990 | \$45,640,659 |
| 2015/2016 | \$37,157,455 | \$6,938,190 | \$2,188,240 | \$3,211,040 | \$49,494,925 |
| 2016/2017 | \$36,983,470 | \$6,737,490 | \$2,320,720 | \$3,246,130 | \$49,287,810 |
| 2017/2018 | \$38,707,580 | \$7,632,380 | \$2,216,980 | \$3,931,540 | \$52,488,480 |
| 2018/2019 | \$42,144,398 | \$7,615,883 | \$2,460,644 | \$3,940,938 | \$56,161,863 |
| 2019/2020 | \$45,851,277 | \$8,789,436 | \$2,467,950 | \$4,427,208 | \$61,535,871 |
| 2020/2021 | \$46,449,890 | \$8,830,860 | \$2,476,440 | \$6,595,150 | \$64,352,340 |

History of Mill Levies for the District and Excluded Property

| Levy/ Collection Year | District General Fund | District Debt Service | District Total Levy | 2001 Excluded Property Debt Service | 2007 Excluded Property Debt Service |
|-----------------------------|-----------------------------|-----------------------------|------------------------|--|--|
| 2013/2014 | 3.000 | 38.000 | 41.000 | 20.336 | 38.000 |
| 2014/2015 | 3.063 | 47.809 | 50.872 | 30.435 | 47.000 |
| 2015/2016 | 3.036 | 47.000 | 50.036 | 31.136 | 47.000 |
| 2016/2017 | 3.000 | 40.169 | 43.169 | 32.143 | 39.268 |
| 2017/2018 | 3.000 | 38.901 | 41.901 | 30.875 | 38.000 |
| 2018/2019 | 3.417 | 38.901 | 42.318 | 30.875 | 38.000 |
| 2019/2020 | 3.000 | 38.901 | 41.901 | 30.875 | 38.000 |
| 2020/2021 | 3.000 | 39.901 | 41.901 | 30.875 | 38.000 |

Property Tax Collections for the District and the Excluded Property

| Levy/ Collection Year | Taxes Levied | Current Tax Collections | Collection Rate |
|-----------------------------|-----------------|----------------------------|--------------------|
| 2012/2013 | \$1,648,627 | \$1,629,159 | 98.82% |
| 2013/2014 | \$1,713,543 | \$1,702,099 | 99.33% |
| 2014/2015 | \$2,180,814 | \$2,180,566 | 99.99% |
| 2015/2016 | \$2,329,004 | \$2,264,558 | 97.23% |
| 2016/2017 | \$2,031,701 | \$2,023,633 | 99.60% |
| 2017/2018 | \$2,091,180 | \$1,795,118 | 85.84% |
| 2018/2019 | \$2,261,866 | \$2,263,299 | 100.06% |
| 2019/2020 | \$2,454,604 | \$2,450,623 | 99.84% |

MidCities Metropolitan District No. 2
Continuing Disclosures Certificate, Exhibit B
December 31, 2020

Ten Largest Owners of Taxable Property of the District

| Taxpayer Name | 2020 Final Assessed Valuation | Percentage of Total Assessed Valuation |
|--|-------------------------------------|--|
| RLJ II - RH Boulder, LLC | \$ 7,400,800 | 11.50% |
| MB Hospitality Ribroom LP | 6,148,000 | 9.55% |
| Wal-Mart Stores, Inc | 4,132,480 | 6.42% |
| LT Flatiron LLC | 3,781,680 | 5.88% |
| Denver BF Property LLC | 3,133,370 | 4.87% |
| Aequus Partners, LLC | 1,885,000 | 2.93% |
| Windscape of Florida LLC | 1,628,020 | 2.53% |
| Pacific Heritage Inn of Broomfield LLC | 1,097,360 | 1.71% |
| Patrick Tash Education Group Inc | 952,690 | 1.48% |
| Westpac Realty Fund II LLC | 851,910 | 1.32% |
| Total | \$ 31,011,310 | 48.19% |

MidCities Metropolitan District No. 2
Continuing Disclosures Certificate, Exhibit B
December 31, 2020

Statement of Revenue, Expenditures and Changes in Fund Balance - (See Audit, Basic Financial Statements, Supplemental Information)

- General Fund
- Debt Service Fund
- Capital Projects Fund

Budget Summary and Comparison - (See Audit, Basic Financial Statements, Supplemental Information)

- General Fund
- Debt Service Fund
- Capital Projects Fund

MIDCITIES METROPOLITAN DISTRICT NO. 2

SALES & USE TAX REVENUE COMPARISON

| Accrual Basis Collections | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | 2021 | | | | |
|--|------------------|------------------|------------------|------------------|----------------|------------------------------|--------|----------------------------|--------|--|
| | | | | | | <u>Month. Var. from 2020</u> | % | <u>Cum. Var. from 2020</u> | % | |
| <u>Sales Tax</u> | | | | | | | | | | |
| January | 153,069 | 170,777 | 174,708 | 181,318 | 134,854 | (46,464) | -25.6% | (46,464) | -25.6% | |
| February | 143,474 | 158,948 | 166,310 | 176,744 | 150,556 | (26,188) | -14.8% | (72,652) | -20.3% | |
| March | 165,726 | 193,834 | 189,931 | 182,364 | 160,406 | (21,958) | -12.0% | (94,610) | -17.5% | |
| April | 168,652 | 185,564 | 86,745 | 144,427 | 164,453 | 20,026 | 13.9% | (74,584) | -10.9% | |
| May | 190,739 | 208,369 | 451,652 | 170,219 | | | | | | |
| June | 197,701 | 214,456 | 209,280 | 172,307 | | | | - | | |
| July | 195,958 | 214,928 | 293,741 | 182,796 | | | | - | | |
| August | 208,436 | 226,142 | 231,261 | 178,697 | | | | - | | |
| September | 194,445 | 198,761 | 212,109 | 185,949 | | | | - | | |
| October | 191,391 | 205,093 | 217,294 | 174,414 | | | | - | | |
| November | 178,699 | 192,352 | 188,820 | 175,921 | | | | - | | |
| December | 213,847 | 215,607 | 201,279 | 182,483 | | | | - | | |
| Subtotal Sales Tax | <u>2,202,139</u> | <u>2,384,831</u> | <u>2,623,129</u> | <u>2,107,638</u> | <u>610,269</u> | (74,584) | | (74,584) | -10.9% | |
| <u>Use Tax</u> | <u>58,486</u> | <u>14,740</u> | <u>277,988</u> | <u>9,678</u> | <u>92</u> | | | \$ (9,586) | -99.1% | |
| <u>Special Warranty Deed - Shortfall Payments</u> | | | | | | | | | | |
| Salon Republic (HREG-Flatiron, LLC) | | | | | | | | | | |
| 1st Quarter | 13,125 | 13,125 | 13,125 | 13,125 | | | | | | |
| 2nd Quarter | 13,125 | 13,125 | 13,125 | 13,125 | | | | | | |
| 3rd Quarter | 13,125 | 13,125 | 13,125 | 13,125 | | | | | | |
| 4th Quarter | 13,125 | 13,125 | 13,125 | 13,125 | | | | | | |
| Total Use Tax, and PILOT | <u>110,986</u> | <u>67,240</u> | <u>330,488</u> | <u>62,178</u> | <u>92</u> | | | | | |
| TOTAL REVENUE | <u>2,313,125</u> | <u>2,452,071</u> | <u>2,953,617</u> | <u>2,169,816</u> | <u>610,360</u> | | | | | |

Jason Simmons

Managing Director
Public Finance

May 3, 2021

Mr. Doug McCormick
President
MidCities Metropolitan District Nos. 1 and 2
c/o Special District Management, Inc.
141 Union Boulevard, Suite 150
Lakewood, CO 80228

Dear Mr. McCormick:

On behalf of Hilltop Securities Inc. (“Hilltop Securities”), we appreciate the opportunity to serve as Municipal Advisor to the MidCities Metropolitan District (the “Issuer” or the “District”). This letter will confirm the basic terms of our engagement and is dated, and shall be effective as of, the date executed by the Issuer as set forth on the signature page hereof (the “Effective Date”).

Hilltop Securities will serve as Municipal Advisor to the Issuer. In this capacity, based on our professional experience and the information made available to us by the Issuer, Hilltop Securities agrees to perform the following services:

Financial Planning. At the direction of Issuer, Hilltop Securities shall:

1. Survey and Analysis. Conduct a survey of the financial resources of the Issuer to determine the extent of its capacity to authorize, issue and service any evidences of indebtedness or debt obligation that may be authorized and issued or otherwise created or assumed by the Issuer (collectively the “Debt Instruments”) contemplated. This survey will include an analysis of any existing Debt Instruments as compared with the existing and projected sources of revenues which may be pledged to secure payment of debt service.
2. Future Financings. Consider and analyze future financing needs as projected by the Issuer's staff and consultants, if any, employed by the Issuer.
3. Recommendations for Refinancing of Existing Debt Instruments. On the basis of the information developed by the survey described above, and other information provided by the Issuer or publicly available, submit to the Issuer recommendations regarding the refinancing of Existing Debt Instruments, including an evaluation of maintaining all or a portion of the structure of the Existing Debt instruments and an evaluation of other potential refinancing structures through a direct bank loan or with publicly offered securities. All recommendations will be consistent with the goal of designing the Debt Instruments to be sold on terms which are advantageous to the Issuer, including the lowest interest cost consistent with all other considerations, including but not limited to the market conditions at the time of sale.

4. Market Information. Advise the Issuer of our interpretation of current bond market conditions, other related forthcoming bond issues and general information, including economic data, which might normally be expected to influence interest rates or bidding conditions so that the date of sale of the Debt Instruments may be set at a favorable time.

Debt Management and Financial Implementation. At the direction of Issuer, HilltopSecurities shall:

1. Method of Sale. Evaluate the particular financing being contemplated, giving consideration to the complexity, market acceptance, rating, size and structure in order to make a recommendation as to an appropriate method of sale, and:
 - a. If the financing is executed as an extension of the current loan structure, or execution of a similar loan structure with U.S. Bank (the “Current Lender”), HilltopSecurities will:
 - 1) Evaluate the proposed terms presented by the Current Lender to determine if the structure meets the goals of the Issuer; and
 - 2) Prepare analysis comparing the proposed terms to other market alternatives that may be available to the Issuer.
 - b. If the financing is executed as a direct bank loan with a lender other than the Current Lender, HilltopSecurities will:
 - 1) Assist in the development and distribution of an RFP to commercial banking institutions; and
 - 2) Assist in the review and evaluation of lending proposals
 - c. If the Debt Instruments are to be sold by negotiated sale, HilltopSecurities will:
 - 1) Assist the Issuer in selecting one or more investment banking firms to act as managers of an underwriting syndicate for the purpose of negotiating the purchase of the Debt Instruments.
 - 2) HilltopSecurities will coordinate the sale of the Debt Instruments to the selected managing underwriter, and will assist the Issuer in the review and preparation of a bond purchase contract, an underwriter’s agreement, or other comparable documents.
 - 3) Provide a cost comparison for transaction costs and for the interest rates which are suggested by the underwriters, to the then current market.
 - 4) Advise the Issuer as to the fairness of the price offered by the underwriters.
2. Offering Documents. Coordinate with Bond and Disclosure Counsel to prepare any Official Statement or Offering Memorandum as needed, the preparation of the notice of sale and bidding instructions, if necessary, and such other documents as may be required and submit all such documents to the Issuer for examination, approval and certification. After such examination, approval and certification, Hilltop Securities shall provide the Issuer with a supply of all such documents sufficient to its needs and distribute by mail or, where appropriate, by electronic delivery, sets of the same to all parties as needed per the method of sale.
3. Credit Ratings. If necessary, make recommendations to the Issuer as to the advisability of obtaining a credit rating, or ratings, for the Debt Instruments and, when directed by the Issuer, coordinate the preparation of such information as may be appropriate for submission to the rating agency, or agencies. In those cases where the advisability of personal presentation of

information to the rating agency, or agencies, may be indicated, Hilltop Securities will arrange for such personal presentations, utilizing such composition of representatives from the Issuer as may be finally approved or directed by the Issuer.

4. Trustee, Paying Agent, Registrar. Upon request, counsel with the Issuer in the selection of a Trustee and/or Paying Agent/Registrar for the Debt Instruments, and assist in the negotiation of agreements pertinent to these services and the fees incident thereto.
5. Financial Publications. When appropriate, advise financial publications of the forthcoming sale of the Debt Instruments and provide them with all pertinent information.
6. Consultants. After consulting with and receiving directions from the Issuer, arrange for such reports and opinions of recognized independent consultants as may be appropriate for the successful marketing of the Debt Instruments.
7. Issuer Meetings. Attend meetings of the governing body of the Issuer, its staff, representatives or committees as requested at all times when Hilltop Securities may be of assistance or service and the subject of financing is to be discussed.
8. Printing. To the extent authorized by the Issuer, coordinate all work incident to printing of the offering documents and the Debt Instruments.
9. Bond Counsel. Maintain liaison with Bond Counsel in the preparation of all legal documents pertaining to the authorization, sale and issuance of the Debt Instruments.
10. Changes in Laws. Provide to the Issuer copies of proposed or enacted changes in federal and state laws, rules and regulations having, or expected to have, a significant effect on the municipal bond market of which Hilltop Securities becomes aware in the ordinary course of its business, it being understood that Hilltop Securities does not and may not act as an attorney for, or provide legal advice or services to, the Issuer.
11. Delivery of Debt Instruments. As soon as a bid for the Debt Instruments is accepted by the Issuer, coordinate the efforts of all concerned to the end that the Debt Instruments may be delivered and paid for as expeditiously as possible and assist the Issuer in the preparation or verification of final closing figures incident to the delivery of the Debt Instruments.
12. Debt Service Schedule; Authorizing Resolution. After the closing of the sale and delivery of the Debt Instruments, deliver to the Issuer a schedule of annual debt service requirements for the Debt Instruments and, in coordination with Bond Counsel, assure that the paying agent/registrar and/or trustee has been provided with a copy of the authorizing ordinance, order or resolution.
13. Elections. In the event it is necessary to hold an election to authorize the contemplated issuance, assisting in coordinating the assembly of such data as may be required for the preparation of necessary petitions, orders, resolutions, ordinances, notices and certificates in connection with the election, including assistance in the transmission of such data to the Issuer's bond counsel.

Term of this Engagement. The term of this Agreement begins on the Effective Date and ends, unless terminated pursuant the language below, on December 31, 2021 (the "Termination Date"). This Agreement can be renewed on the Termination Date for an additional (1) year period upon mutual agreement between Hilltop Securities and the Issuer.

This Agreement may be terminated with or without cause by the Issuer or Hilltop Securities upon the giving of at least thirty (30) days' prior written notice to the other party of its intention to terminate, specifying in such notice the effective date of such termination. In the event of such termination, it is understood and agreed that only the amounts due Hilltop Securities for services provided and expenses incurred to the date of termination will be due and payable. No penalty will be assessed for termination of this Agreement.

In consideration of providing the requested services, Hilltop Securities shall receive fees as outline in Appendix A. In any event regardless of the cause of action, Hilltop Securities' total liability (including loss and expense) to the Issuer in the aggregate shall not exceed the gross amount of fees received by Hilltop Securities pursuant to this letter agreement. The limitations of liability set forth in this letter agreement are fundamental elements of the basis of the bargain between Hilltop Securities and the Issuer, and the pricing of the services set forth above reflect such limitations. This letter agreement shall be constrained and given effect on accord with the laws of the State of Colorado.

Hilltop Securities is providing its Municipal Advisor Disclosure Statement (the "Disclosure Statement"), current as of the date of this Agreement, setting forth disclosures by Hilltop Securities of material conflicts of interest, if any, and of any legal or disciplinary events required to be disclosed pursuant to Municipal Securities Rulemaking Board Rule G-42. The Disclosure Statement also describes how Hilltop Securities addresses or intends to manage or mitigate any disclosed conflicts of interest, as well as the specific type of information regarding, and the date of the last material change, if any, to the legal and disciplinary events required to be disclosed on Forms MA and MA-I filed by Hilltop Securities with the Securities and Exchange Commission.

We look forward to working with you during this engagement. Please acknowledge acceptance of these terms by signing in the space provided below and returning two copies to me.

Sincerely,



Jason Simmons
Managing Director

**MidCities Metropolitan District Nos. 1 and 2,
City and County of Broomfield, Colorado
Agreed and Accepted:**

By: 

Title: President

Name: Doug McCormick

Date: 05 / 19 / 2021

APPENDIX A COMPENSATION

This Appendix A sets out the form and basis of compensation to Hilltop Securities for the Municipal Advisory Services provided under this Agreement; provided that the compensation arrangements set forth in this Appendix A shall also apply to any additional services hereafter added to the scope of the Municipal Advisory Services, unless otherwise provided in the amendment to the Agreement relating to such change in scope of Municipal Advisory Services.

Transaction Fee

All fees for transactions are payable on a contingent basis – the Issuer will only pay Hilltop Securities upon a successful issuance and closing of such financing and is payable out of proceeds from such issuance.

For an extension or renegotiation of the existing structure of the current U.S. Bank loan the fee will be \$50,000.

For the issuance of fixed-rate publicly offered bonds through a negotiated sale, or for the execution of a direct bank loan with a lender other than U.S. Bank, the fee shall be greater of \$1.80 per \$1,000 of par, or \$100,000.

APPENDIX A
MUNICIPAL ADVISOR DISCLOSURE STATEMENT

This disclosure statement (“Conflict Disclosures”) is provided by **Hilltop Securities Inc.** (“the Firm”) to you (the “Client”) in connection with our current municipal advisory agreement, (“the Agreement”). These Conflict Disclosures provide information regarding conflicts of interest and legal or disciplinary events of the Firm that are required to be disclosed to the Client pursuant to MSRB Rule G-42(b) and (c)(ii).

PART A – Disclosures of Conflicts of Interest

MSRB Rule G-42 requires that municipal advisors provide to their clients disclosures relating to any actual or potential material conflicts of interest, including certain categories of potential conflicts of interest identified in Rule G-42, if applicable.

Material Conflicts of Interest – The Firm makes the disclosures set forth below with respect to material conflicts of interest in connection with the Scope of Services under the Agreement with the Firm, together with explanations of how the Firm addresses or intends to manage or mitigate each conflict.

General Mitigations – As general mitigations of the Firm’s conflicts, with respect to all of the conflicts disclosed below, the Firm mitigates such conflicts through its adherence to its fiduciary duty to Client, which includes a duty of loyalty to Client in performing all municipal advisory activities for Client. This duty of loyalty obligates the Firm to deal honestly and with the utmost good faith with Client and to act in Client’s best interests without regard to the Firm’s financial or other interests. In addition, because the Firm is a broker-dealer with significant capital due to the nature of its overall business, the success and profitability of the Firm is not dependent on maximizing short-term revenue generated from individualized recommendations to its clients but instead is dependent on long-term profitability built on a foundation of integrity, quality of service and strict adherence to its fiduciary duty. Furthermore, the Firm’s municipal advisory supervisory structure, leveraging our long-standing and comprehensive broker-dealer supervisory processes and practices, provides strong safeguards against individual representatives of the Firm potentially departing from their regulatory duties due to personal interests. The disclosures below describe, as applicable, any additional mitigations that may be relevant with respect to any specific conflict disclosed below.

I. Affiliate Conflict. The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm’s advisory activities within the Scope of Services outlined in the Agreement. Hilltop Securities Asset Management (HSAM), a SEC-registered affiliate of the Firm, provides post issuance services including arbitrage rebate and treasury management. The Firm’s arbitrage team verifies rebate and yield restrictions on the investments of bond proceeds on behalf of clients in order to meet IRS restrictions. The treasury management division performs portfolio management/advisor services on behalf of public sector clients. The Firm, through affiliate Hilltop Securities Asset Management (HSAM), provides a multi-employer trust tailor-made for public entities which allows them to prefund Other Post-Employment Benefit liabilities. The Firm has a structured products desk that provides advice to help clients mitigate risk through investment management, debt management and commodity price risk management products. These products consist of but are not limited to swaps (interest rate, currency, commodity), options, repos, escrow structuring and other securities. Continuing Disclosure services provided by the Firm work with issuers to assist them in meeting disclosure requirements set forth in SEC rule 15c2-12. Services include but are not limited to ongoing maintenance of issuer compliance, automatic tracking of issuer’s annual filings and public notification of material events. The Firm administers government investment pools. These programs offer governmental entities investment options for their cash management programs based on the entities specific needs. The Firm and the aforementioned

affiliate's business with a client could create an incentive for the Firm to recommend to a client a course of action designed to increase the level of a client's business activities with the affiliates or to recommend against a course of action that would reduce or eliminate a client's business activities with the affiliates. This potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regimes.

II. PlainsCapital Bank Affiliate Conflict. The Firm, directly and through affiliated companies, provides or may provide services/advice/products to or on behalf of clients that are related to the Firm's advisory activities within the Scope of Services outlined in the Agreement. Affiliate, PlainsCapital Bank, provides banking services to municipalities including loans and custody. The Firm and the aforementioned affiliate's business with a client could create an incentive for the Firm to recommend to a client a course of action designed to increase the level of a client's business activities with the affiliates or to recommend against a course of action that would reduce or eliminate a client's business activities with the affiliates. This potential conflict is mitigated by the fact that the Firm and affiliates are subject to their own comprehensive regulatory regimes.

III. Other Municipal Advisor or Underwriting Relationships. The Firm serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of Client. For example, the Firm serves as municipal advisor to other municipal advisory clients and, in such cases, owes a regulatory duty to such other clients just as it does to Client. These other clients may, from time to time and depending on the specific circumstances, have competing interests, such as accessing the new issue market with the most advantageous timing and with limited competition at the time of the offering. In acting in the interests of its various clients, the Firm could potentially face a conflict of interest arising from these competing client interests. In other cases, as a broker-dealer that engages in underwritings of new issuances of municipal securities by other municipal entities, the interests of the Firm to achieve a successful and profitable underwriting for its municipal entity underwriting clients could potentially constitute a conflict of interest if, as in the example above, the municipal entities that the Firm serves as underwriter or municipal advisor have competing interests in seeking to access the new issue market with the most advantageous timing and with limited competition at the time of the offering. None of these other engagements or relationships would impair the Firm's ability to fulfill its regulatory duties to Client.

IV. Secondary Market Transactions in Client's Securities. The Firm, in connection with its sales and trading activities, may take a principal position in securities, including securities of Client, and therefore the Firm could have interests in conflict with those of Client with respect to the value of Client's securities while held in inventory and the levels of mark-up or mark-down that may be available in connection with purchases and sales thereof. In particular, the Firm or its affiliates may submit orders for and acquire Client's securities issued in an Issue under the Agreement from members of the underwriting syndicate, either for its own account or for the accounts of its customers. This activity may result in a conflict of interest with Client in that it could create the incentive for the Firm to make recommendations to Client that could result in more advantageous pricing of Client's bond in the marketplace. Any such conflict is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that such investment activities would have an impact on the services provided by the Firm to Client under this Agreement.

V. Broker-Dealer and Investment Advisory Business. The Firm is dually registered as a broker-dealer and an investment advisor that engages in a broad range of securities-related activities to service its clients, in addition to serving as a municipal advisor or underwriter. Such securities-related activities, which may include but are not limited to the buying and selling of new issue and outstanding securities and investment advice in connection with such securities, including securities of Client, may be undertaken on behalf of, or as counterparty to, Client, personnel of Client, and current or potential

investors in the securities of Client. These other clients may, from time to time and depending on the specific circumstances, have interests in conflict with those of Client, such as when their buying or selling of Client's securities may have an adverse effect on the market for Client's securities, and the interests of such other clients could create the incentive for the Firm to make recommendations to Client that could result in more advantageous pricing for the other clients. Furthermore, any potential conflict arising from the firm effecting or otherwise assisting such other clients in connection with such transactions is mitigated by means of such activities being engaged in on customary terms through units of the Firm that operate independently from the Firm's municipal advisory business, thereby reducing the likelihood that the interests of such other clients would have an impact on the services provided by the Firm to Client.

VI. Compensation-Based Conflicts. Fees that are based on the size of the issue are contingent upon the delivery of the Issue. While this form of compensation is customary in the municipal securities market, this may present a conflict because it could create an incentive for the Firm to recommend unnecessary financings or financings that are disadvantageous to Client, or to advise Client to increase the size of the issue. This conflict of interest is mitigated by the general mitigations described above.

Fees based on a fixed amount are usually based upon an analysis by Client and the Firm of, among other things, the expected duration and complexity of the transaction and the Scope of Services to be performed by the Firm. This form of compensation presents a potential conflict of interest because, if the transaction requires more work than originally contemplated, the Firm may suffer a loss. Thus, the Firm may recommend less time-consuming alternatives, or fail to do a thorough analysis of alternatives. This conflict of interest is mitigated by the general mitigations described above.

Hourly fees are calculated with, the aggregate amount equaling the number of hours worked by Firm personnel times an agreed-upon hourly billing rate. This form of compensation presents a potential conflict of interest if Client and the Firm do not agree on a reasonable maximum amount at the outset of the engagement, because the Firm does not have a financial incentive to recommend alternatives that would result in fewer hours worked. This conflict of interest is mitigated by the general mitigations described above.

VII. Additional Conflicts Disclosures.

The Firm has not identified any additional potential or actual material conflicts of interest that require disclosure on behalf of the Firm.

PART B – Disclosures of Information Regarding Legal Events and Disciplinary History

MSRB Rule G-42 requires that municipal advisors provide to their clients certain disclosures of legal or disciplinary events material to its client's evaluation of the municipal advisor or the integrity of the municipal advisor's management or advisory personnel.

Accordingly, the Firm sets out below required disclosures and related information in connection with such disclosures.

I. Material Legal or Disciplinary Event. The Firm discloses the following legal or disciplinary events that may be material to Client's evaluation of the Firm or the integrity of the Firm's management or advisory personnel:

- For related disciplinary actions please refer to the Firm's [BrokerCheck](#) webpage.

- The Firm self-reported violations of SEC Rule 15c2-12: Continuing Disclosure. The Firm settled with the SEC on February 2, 2016. The firm agreed to retain independent consultant and adopt the consultant's finding. Firm paid a fine of \$360,000.
- The Firm settled with the SEC in matters related to violations of MSRB Rules G-23(c), G-17 and SEC rule 15B(c) (1). The Firm disgorged fees of \$120,000 received as financial advisor on the deal, paid prejudgment interest of \$22,400.00 and a penalty of \$50,000.00.
- The Firm entered into a Settlement Agreement with Rhode Island Commerce Corporation. Under the Settlement Agreement, the firm agreed to pay \$16.0 million to settle any and all claims in connection with The Rhode Island Economic Development Corporation Job Creation Guaranty Program Taxable Revenue Bond (38 Studios, LLC Project) Series 2010, including the litigation thereto. The case, filed in 2012, arose out of a failed loan by Rhode Island Economic Development Corporation. The firm's predecessor company, First Southwest Company, LLC, was one of 14 defendants. HilltopSecurities' engagement was limited to advising on the structure, terms, and rating of the underlying bonds. Hilltop settled with no admission of liability or wrongdoing.
- On April 30, 2019, the Firm entered into a Settlement Agreement with Berkeley County School District of Berkeley County, South Carolina. The case, filed in March of 2019, arose in connection with certain bond transactions occurring from 2012 to 2014, for which former employees of Southwest Securities, Inc., a predecessor company, provided financial advisory services. The Firm agreed to disgorge all financial advisory fees related to such bond transactions, which amounted to \$822,966.47, to settle any and all claims, including litigation thereto. Under the Settlement Agreement, the Firm was dismissed from the lawsuit with prejudice, no additional penalty, and with no admission of liability or wrongdoing.
- From July 2011 to October 2015, Hilltop failed to submit required MSRB Rule G-32 information to EMMA in connection with 122 primary offerings of municipal securities for which the Firm served as placement agent. During the period January 2012 to September 2015, the Firm failed to provide MSRB Rule G-17 letters to issuers in connection with 119 of the 122 offerings referenced above. From October 2014 to September 2015, the Firm failed to report on Form MSRB G-37 that it had engaged in municipal securities business as placement agent for 45 of these 122 offerings. This failure was a result of a misunderstanding by one branch office of Southwest Securities. Hilltop discovered these failures during the merger of FirstSouthwest and Southwest Securities and voluntarily reported them to FINRA. The Firm paid a fine of \$100,000 for these self-reported violations.

II. How to Access Form MA and Form MA-I Filings. The Firm's most recent Form MA and each most recent Form MA-I filed with the SEC are available on the SEC's EDGAR system at [Forms MA and MA-I](#). The SEC permits certain items of information required on Form MA or MA-I to be provided by reference to such required information already filed by the Firms in its capacity as a broker-dealer on Form BD or Form U4 or as an investment adviser on Form ADV, as applicable. Information provided by the Firm on Form BD or Form U4 is publicly accessible through reports generated by Broker Check at <http://brokercheck.finra.org/>, and the Firm's most recent Form ADV is publicly accessible at the Investment Adviser Public Disclosure website at <http://www.adviserinfo.sec.gov/>. For purposes of accessing such BrokerCheck reports or Form ADV, click previous hyperlinks.

PART C – Future Supplemental Disclosures

As required by MSRB Rule G-42, this Municipal Advisor Disclosure Statement may be supplemented or amended, from time to time as needed, to reflect changed circumstances resulting in new conflicts

of interest or changes in the conflicts of interest described above, or to provide updated information with regard to any legal or disciplinary events of the Firm. The Firm will provide Client with any such supplement or amendment as it becomes available throughout the term of the Agreement.

| | |
|--------------------------------|--|
| TITLE | MA Engagement Letter |
| FILE NAME | Engagement Letter...rict Nos. 12_.pdf |
| DOCUMENT ID | 20af35d17a6994f553b3bf20f0b4544c5f57fd7b |
| AUDIT TRAIL DATE FORMAT | MM / DD / YYYY |
| STATUS | ● Completed |

Document History



SENT

05 / 18 / 2021

19:03:11 UTC

Sent for signature to Doug McCormick (ziffel2245@yahoo.com) from dsolin@sdmsi.com
IP: 50.78.200.153



VIEWED

05 / 19 / 2021

15:39:15 UTC

Viewed by Doug McCormick (ziffel2245@yahoo.com)
IP: 71.229.131.92



SIGNED

05 / 19 / 2021

15:39:58 UTC

Signed by Doug McCormick (ziffel2245@yahoo.com)
IP: 71.229.131.92



COMPLETED

05 / 19 / 2021

15:39:58 UTC

The document has been completed.

Sean Chiang

From: Scott Davis <scott@rockandco.com>
Sent: Friday, April 23, 2021 10:28 AM
To: Sean Chiang
Cc: Jeremy Kuhner
Subject: The Lock 460 Flatiron - Wall Repair Budget

Sean,

Per your request, I am providing the following preliminary budget to repair an approximately 100 LF long section of the lower tier retaining wall on the southern border of the property (outlined in your wall condition analysis). The following budgets are based upon two options. The first option is based upon a full scale removal and replacement of approximately 100 LF X 8' HT (including removing and reconstructing the soil nail wall section and the stone facing section). The second option is based upon a similar approach, but limited to just the upper 4' of the 100LF wall section. In order to gain access to the wall for repair, both options will require a temporary berm to be constructed against the failing section. This berm would be built using on site soil (from portions of the site that are planned for sub-excavation). The borrowed temporary berm material would be replaced to a flat uncompacted condition as the berm is removed.

OPT 1: Budget approximately \$260,000. This budget assumes that the stone facing is 6" -12" thick and placed directly against an existing shotcrete facing of a soil nail wall system. Following construction of the temporary berm, The upper 4' of wall facing and shotcrete would be removed. This will be followed by installing new 6" soil nails to a maximum depth of 30', on an approximate pattern of 5' O.C. horizontally. Then, a new reinforced shotcrete facing system would be installed (with common strip drains placed at soil nail spacing behind the shotcrete). This would be repeated in another 4' vertical stage, eventually stabilizing approximately 8 vertical feet of the existing wall. Finally, the stone facing would be reinstalled. The cost of reinstalling the stone facing is based upon reuse of 75% of the salvaged material and purchasing 25% new material.

OPT 2: Budget approximately \$175,000. This budget is similar in approach to the above option, except that this cheaper approach would require stabilizing just one 4' high vertical bench. This approach may provide reasonable stabilization of the wall. However, it may not be possible to fully re-align the stone facing to proper and consistent wall batter angle.

Both options assume that the existing shotcrete and soil nail wall (that appears to be failing) is constructed directly behind the stone facing, and that the stone facing is between 6"-12" thick. If the soil nail wall is found to be farther behind the stone facing, the cost could rise significantly to account for additional stone/fill material removal and reconstruction. Also, the budgets are based upon single corrosion protection soil nails in un-cased auger drilled holes, and common shotcrete strength, reinforcement, and thickness (8").

Please let me know if you have question related to this budget information.

Scott Davis | President
303-210-1523 direct | 303-637-9230 office
www.rockandco.com

