

MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF

HAWTHORN METROPOLITAN DISTRICT NO. 2

Held: Monday, December 4, 2017, at 2:00 p.m. at 17685
W. 83rd Drive, Arvada, Colorado.

Attendance

The special meeting of the Board of Directors of the Hawthorn Metropolitan District No. 2, was called and held as shown above and in accordance with the applicable statutes of the State of Colorado. The following Directors, having confirmed their qualification to serve on the Board, were in attendance:

Christopher Elliott
Krystal Bigley
Carly Fenton

Director Matthew Cavanaugh and Director Corey Elliot excused themselves from the meeting following a presentation from the Jefferson County Sheriff's Department. All Director absences are deemed excused unless otherwise specified.

Also present were:

Kristin B. Tompkins, Esq., and Megan J. Murphy, Esq., White Bear Ankele Tanaka & Waldron, Attorneys at Law, District General Counsel; Sarah Hunsche, CliftonLarsonAllen, LLP, District Accountant; Scott Bristol and Bri Yonkers, Stillwater Community Management, District Managers; Zach Bishop, D.A. Davidson, District Underwriter; Ken Guckenberger, Kutak Rock, District Bond Counsel; and Christian Matt Janke, E5X Management.

Members of the public in attendance at the meeting and who signed in are reflected on the attached sign-in sheet.

Call to Order

It was noted by Director Chris Elliott that a quorum of the Board was present and the meeting was called to order.

**Conflict of Interest
Disclosures**

Ms. Murphy advised the Board that pursuant to Colorado law, certain disclosures by the Directors may be required prior to taking official action at the meeting. The agenda for the meeting was reviewed, following which each Director confirmed that nothing appeared on the agenda for which disclosure certificates had not been filed. The disclosure certificates were reviewed by the Directors and were ordered to be made part of the official minutes of the meeting. It was noted that Director Chris Elliott was an owner of Hawthorn Development, Inc. (the "Developer")

and that the Developer would potentially be the holder of the 2017C proposed bonds (on the agenda for approval) or would otherwise receive proceeds of such 2017C bonds and a portion of the 2017B bonds.

The Board determined that participation by the Directors with potential conflicts of interest was necessary to obtain a quorum or otherwise enable lawful action to occur.

Approval of Agenda

Ms. Murphy presented the Agenda to the Board for consideration. Following discussion, upon a motion duly made and seconded, the Board unanimously approved the Agenda as amended, subject to moving up the neighborhood watch discussion and the 2017 Bond matters prior to public comment.

Discuss Neighborhood Watch Program

The Jefferson County Sheriff's Department gave a presentation on the most effective ways to keep the community safe, primarily with the use of the Nextdoor app to report suspicious activities to your neighbors or to the Jefferson County Sheriff's Department. The Sheriff also emphasized communication between neighbors and to keep porch lights on and car doors locked. It was also noted that Jefferson County is working on a united dispatch center and suggested that the community schedule a National Night Out and invite the Sheriff's department.

2017 Refunding Bonds

Mr. Guckenberger and Mr. Bishop provided the Board with a presentation regarding the 2017 Refunding and Improvement Bonds. It was noted that the blended interest rate would be approximately 4.89% and that the issuance of the bonds would not increase the District's debt service mill levy. It was also noted that the underwriter was marketing the Series C bonds but it might be privately placed with the Developer. Pricing is anticipated for December 7, 2017 with closing on December 14, 2017.

Consider Approval of North Slope Capital Advisors for External Financial Advisor Certificate

Ms. Tompkins presented the Board with the engagement letter of North Slope Capital Advisors for an External Financial Advisor Certificate. Following discussion, upon a motion duly made and seconded, the Board unanimously approved the engagement.

Consider Approval of Engagement Letter with DA Davidson & Co. for Investment Banking Services

Mr. Bishop presented the Board with the engagement letter of DA Davidson & Co. for Investment Banking Services. Following discussion, upon a motion duly made and seconded, the Board unanimously approved the engagement.

Consider and Make a Final Determination to Issue or

Mr. Guckenberger presented the Board with the 2017 Bond Resolution, three Indentures of Trust, a Bond Purchase

Incur General Obligation Indebtedness Consisting of (a) General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds, Series 2017A; (b) Subordinate Limited Tax General Obligation Refunding Bonds, Series 2017B; and (c) Limited Tax Junior Lien Subordinate General Obligation Bonds, Series 2017C, in an aggregate principal amount not to exceed \$10,000,000, and in connection therewith, adopt resolutions authorizing the issuance of same and authorizing the Trust Indentures, a Bond Purchase Agreement, Continuing Disclosure Agreement, Limited Offering Memorandum, and other related documents; approving, ratifying, and confirming the execution of certain documents; making determinations and findings as to other matters related to such transaction; authorizing incidental action; and repealing prior inconsistent actions

Agreement, a Continuing Disclosure Agreement, and a form of Limited Offering Memorandum for consideration. Following discussion, upon a motion duly made and seconded, the Board unanimously adopted the Resolution authorizing the issuance of the 2017 Bonds and authorizing three Indentures of Trust, a Bond Purchase Agreement, a Continuing Disclosure Agreement, and a form of Limited Offering Memorandum.

Consider Termination of Infrastructure Acquisition and Reimbursement Agreement with Hawthorn Development, Inc. dated December 7, 2015, contingent upon closing of the Bonds

Ms. Tompkins presented the Board with the proposed Termination of Infrastructure Acquisition and Reimbursement Agreement with Hawthorn Development, Inc. for consideration. It was noted that the District currently owes approximately \$1,500,000 to the Developer under the Agreement with an additional \$3,000,000 of costs certified and before the Board for acceptance. Upon payment to the Developer from the 2017 Bond Proceeds, the Developer is willing to waive its right to any future reimbursement and terminate the Agreement. Following discussion, upon a motion duly made and seconded, the Board unanimously approved the termination of the Agreement, contingent upon closing the 2017 Bonds.

Public Comment

None.

Consent Agenda

The following items on the consent agenda were considered routine or administrative. Following a summary by Ms. Murphy, the items on the consent agenda were approved by one motion duly made, seconded, and vote unanimously carried.

1. Approval of Minutes from the September 11, 2017 Special Meeting
2. Approval of Minutes from the September 14, 2017 Special Meeting
3. Ratify Engagement of J3 Engineering Consultants, Inc. (Underdrain Review Services)
4. Adoption of 2018 Annual Administrative Resolution
5. Approval of Amended and Restated Public Records Request Policy
6. Ratify Check Numbers 1032-1036
7. Approval of Renewal of Insurance and SDA Membership
8. Approval of Extension of Independent Contractor Agreement and Fee Decrease with Waste Management of Colorado, Inc. for 2018 Services
9. Approval of Independent Contractor Agreement with Metco Landscape, Inc. for 2017/2018 Snow Removal Services
10. Approval of Independent Contractor Agreement with Metco Landscape, Inc. for 2018 Landscape Maintenance Services
11. Renewal of Independent Contractor Long Corporation d/b/a Poop 911 for 2018 Pet Waste Clean Up Services

Legal Matters

Consider Adoption of Resolution Calling May 2018 Election

Ms. Murphy presented the Board with the Resolution Calling May 2018 Election for consideration. It was noted that Director Chris Elliott, Director Corey Elliott, Director Krystal Bigley, and Director Carly Fenton are all up for election in 2018. It was also noted that in the event that there is a contested election, the District's election costs would be upwards of \$20,000. Following discussion, upon a motion duly made and seconded, the Board unanimously adopted the resolution.

Consider Adoption of Resolution Regarding Acceptance District Eligible Costs for Public Improvements from Hawthorn Development, Inc. pursuant to the

Ms. Murphy and Ms. Hunsche presented the Board with the Resolution Regarding Acceptance District Eligible Costs for Public Improvements from Hawthorn Development, Inc. along with the engineers report for consideration. It was noted that the engineer reviewed contacts, invoices, proof of payment, and lien waivers and has provided a certificate that the costs are reasonable and are eligible for reimbursement under the District's

Infrastructure Acquisition and Reimbursement Agreement dated December 7, 2015 - Engineer's Report and Certification from Manhard Consulting, Ltd

Service Plan. Ms. Hunsche also explained the Accountant's separate review and certification. Following discussion, upon a motion duly made and seconded, the Board unanimously accepted the engineers report and certification and adopted the resolution.

Facilities Management

Stillwater/Manager Update

Ms. Yonkers provided the Board with an update on the replacement of trees by the Developer along Gilbert, she noted that the concrete wall was replaced, she noted that management obtained a decrease in pricing from Waste Management, and she is also recommending MetCo for 2018 Landscaping and Snow Removal Services rather than Keesen. The Board rescinded the approval of the renewal of the Poop911 2018 contract approved under consent items and accepted the recommendation of Ms. Yonkers to not renew the contract with Poop911 for 2018 and to add Pet Clean Up services at the same rate provided by Poop911 to the MetCo contract for landscaping services for 2018.

Appointment of Additional Members to the District Advisory Committee

The Board acknowledged the resignation of Sharon Brodsky from the committee. Following discussion, upon a motion duly made and seconded, the Board unanimously appointed Ms. Allison Bristow to the Advisory Committee.

2018 Management

Recommendation from Advisory Committee

Director Krystal Bigley provided the Board with an overview of the interview process. She thanked Ms. Yonkers for her service and noted that while Stillwater has been taking steps to correct some of the issues raised throughout the year, the confidence in Stillwater had diminished and ultimately the committee was recommending to engage CliftonLarsonAllen LLP ("CLA") for 2018. The Committee felt that having the District Manager and the District Accountant from the same firm would be more efficient for the District and may result in some cost savings. Additionally, the Committee negotiated a reduced rate from the proposal provided by CLA to bring CLA in alignment with other proposals received by the District.

Consider Engagement of Manager for 2018

Ms. Murphy presented the Board with the engagement letter of CLA for 2018 management services. Following discussion, upon a motion duly made and seconded, the Board unanimously approved the engagement and instructed legal counsel to work on an agreement, subject to final review by the Advisory Committee.

Consider Appointment of

The Board engaged in a discussion regarding the Architectural

Architectural Review
Committee

Review Committee. Following discussion, upon a motion duly made and seconded, the Board unanimously determined to transfer the Architectural Review Committee from Stillwater to CliftonLarsonAllen and instructed legal counsel to work on an assignment letter.

Discuss Status of Repairs
made by Hawthorn
Development, Inc.

The Board engaged in a discussion regarding the status of repairs made by the Developer. It was noted, that in addition to the summary given by Ms. Yonkers, that the Developer replaced three dead trees in the open space, twelve dead trees along Gilbert, replaced sod around the park and planting at the entry way, and seeded on the slope around the eastern border. The Board has requested the Developer provide an updated map of the same to reflect plant species and the location of repairs and enhancements.

Financial Matters

Financials/Payables

Ms. Hunsche presented the Board with the September 30, 2017 unaudited financials and schedule of cash position updated as of November 13, 2017. The Board reviewed the Cash Requirement report to pay outstanding vendors. It was noted that the District has requested a \$15,000 advance from the Developer, which the Developer has agreed to fund. Following discussion, upon a motion duly made and seconded, the Board unanimously accepted the unaudited financials and accepted the cash position.

Consider Engagement of
Dazzio & Associates, P.C. to
Perform 2017 Audit

Ms. Hunsche presented the Board with the Engagement Letter of Dazzio & Associates, P.C. to Perform the 2017 Audit. Following discussion, upon a motion duly made and seconded, the Board unanimously approved the engagement.

Conduct 2018 Budget
Hearing and Consider
Adoption of Resolution to
Adopt 2018 and Set Mill
Levies

Director Chris Elliott opened the public hearing for the 2018 budget. Ms. Murphy noted that notice for the public hearing was made in accordance with the applicable Colorado statutes. No written objections were received prior to the public hearing. After no public comment was made, the public hearing was closed.

Ms. Hunsche presented the proposed 2018 budget to the Board for consideration and noted that Lennar successfully petitioned Jefferson County to reduce their property taxes by approximately \$70,000 and that has left the District with an unanticipated deficit. Ms. Hunsche is recommending a 2 mill increase in the General Fund as well as a \$9.00/month fee increase. The Board discussed increased costs in 2017 being due to higher than anticipated activity, including legal budget, additional meetings, underdrain issues, etc.

Following discussion, upon a motion duly made and seconded, the Board unanimously adopted the budget as presented, appropriated funds as reflected in the budget, subject to receipt of the 2017 Final Assessed Valuation, and certified 20.241 mills (reflecting the gallagher adjustment and 2 mill increase) in the General Fund and 55.277 mills in the Debt Service Fund (reflecting the gallagher adjustment only and no mill levy increase).

The Board directed legal counsel and the District's accountant to certify the District's mill levy by December 15, 2017, and to file the 2018 budget by January 30, 2018.

**Conduct 2017 Budget
Amendment Hearing and
Consider Adoption of
Resolution to Amend 2017
Budget**

Director Chris Elliott opened the public hearing for the 2017 budget amendment. Ms. Murphy noted that notice for the public hearing was made in accordance with the applicable Colorado statutes. No written objections were received prior to the public hearing. After no public comment was made, the public hearing was closed.

Following discussion, upon a motion a motion duly made and seconded, the Board determined to amend the 2017 General Fund to \$125,000, the Debt Service fund to \$7,800,000 and the Capital Projects Fund to \$8,100,000.

**Consider Approval of
Amendment to Resolution
Imposing an Operations Fee**

Ms. Murphy presented the Board with the Amendment to the Resolution Imposing an Operations Fee. Following discussion, upon a motion duly made and seconded, the Board unanimously adopted the amendment to the Resolution Imposing an Operations Fee.

Other Business

None.

Next Meeting

The next regular meeting is scheduled for Monday, March 5, 2018.

Adjournment

There being no further business to come before the Board, and following discussion and upon motion duly made, seconded and unanimously carried, the Board determined to adjourn the meeting.

The foregoing constitutes a true and correct copy of the minutes of the above-referenced meeting.



Secretary for the Meeting