

RECORD OF PROCEEDINGS

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE VALAGUA METROPOLITAN DISTRICT

Held: Friday, May 18, 2012 at 1:00 p.m., at 28 Second Street, Suite 213, Edwards, Colorado.

Attendance

The special meeting of the Board of Directors of the Valagua Metropolitan District was called and held as shown above and in accordance with the statutes of the State of Colorado. The following Directors, having confirmed their qualification to serve on the Board, were in attendance:

Russ E. Hatle

Donald Janklow

Scott Green

Absence Excused: Darrel D. Schmidt

Also present: Eric Weaver, Robertson & Marchetti, P.C.; Joan Fritsche, Foster Graham Milstein & Calisher, LLP; and Marilyn Brock, Brock Consulting.

Director C. Michael Budd; Vern Brock, Brock Consulting; Aura DeMaria, Diane Luppens, and Kirk Finch, property owners; Renzo Renzi, EFO Financial Group, LLC participated via teleconference.

(* notes arrivals and departures from conference call.)

Call to Order

Director Janklow noted that a quorum of the Board was present, verified that notice of the meeting was posted in three locations within the District and that the Directors had confirmed their qualification to serve, and therefore called the meeting of the Board of Directors of the Valagua Metropolitan District to order.

Appointment of Acting President

Upon motion duly made by Director Hatle, seconded by Director Green, and unanimously carried, the Board appointed Director Janklow as Acting President of the meeting.

Disclosure Matters

Ms. Fritsche advised the Board that pursuant to Colorado law, certain disclosures by the Board members may be required prior to taking official action at the meeting. The Board reviewed the agenda for the meeting, following which each Board member disclosed his conflicts of interest, stating the fact and summary nature of any matters as required under Colorado law, to permit official action to be taken at the meeting. The Board determined that the participation of the members present was necessary to obtain a quorum or otherwise enable the Board to act.

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Director Hatle reported that he is an owner of real property within the District and that he has an ownership interest in Clearwater Development, Inc. Clearwater Development, Inc. is a property owner and developer within the District, which may have a right to reimbursement costs from the District. In addition, Director Hatle reported that he has investments in Imprimis LLC; Mt. 20 LLC; Hares Ear LLC; Hares Builders, LLC; Rampart Holdings, LLC and Reconcile, LLC. This disclosure is associated with approval of items on the agenda, which may affect his interests or those of Clearwater Development, Inc.

Director Janklow reported that he is an owner of real property within the District. This disclosure is associated with approval of items on the agenda, which may affect his interests.

Director Green reported that he is an owner of real property within the District. This disclosure is associated with approval of items on the agenda, which may affect his interests.

Director Budd reported that he is an owner of real property within the District and that he is engaged as a real estate broker with Prudential Colorado Properties to sell properties within the District.

Written disclosures of these interests were filed with the Secretary of State and the Board prior to the meeting.

Written disclosures for Director Schmidt were filed with the Secretary of State and the Board prior to the meeting.

Public Comment

There was no public comment.

Meeting Minutes

The minutes of the special meeting of the Board of Directors held on Saturday, January 7, 2012 were read. Upon motion duly made by Director Janklow, seconded by Director Hatle and unanimously carried, the minutes were approved by the Board of Directors, as amended.

Financial
Report/Payables

Mr. Weaver reviewed with the Board the District's preliminary financial reports dated April 30, 2012 and payment of claims dated May 18, 2012. Upon motion duly made by Director Hatle, seconded by Director Green, and unanimously carried, the Board accepted the financial reports and approved and ratified the payment of claims as presented in the amount of \$33,454.25.

2011 Audit

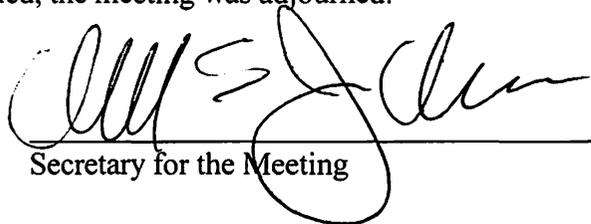
* Renzo Renzi dropped off conference call.

Upon motion duly made by Director Green, seconded by Director Hatle, and unanimously carried, the Board accepted the District's 2011 Audit, as presented.

* Kirk Finch joined conference call.

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- Developer Update Director Hatle clarified that he is a member, but not an officer of CDI, and gave the Board a brief update on the status of the CDI bankruptcy proceedings and pending foreclosure sale.
- Security Services Mr. Weaver reminded the Board that the District is only responsible for manned security services. A discussion followed concerning the POA's potential investment in a remote access gate, and the potential of the District sharing operating costs of providing manned security with the POA and Developer. The Board reviewed the District's cash flow in light of the significant amount of outstanding property tax revenue. Upon motion duly made by Director Green, seconded by Director Hatle, and unanimously carried, the Board authorized continuing manned security services through the end of August. Director Janklow indicated the POA Board would consider options for security presented by the District.
- Filing 4/Tall Grass and Filing 5/Doll Station The Board discussed the Brock Consulting mechanics lien placed on property within multiple filings by Brock Consulting, delaying Town acceptance of water and sewer lines in Filing 4/Tall Grass and Filing 5/Doll Station. Director Hatle reported that Rampart Holdings was in the process of "bonding over" the Brock lien through Land Title. Ms. Fritsche reported that Derek Williams with Vision Land Consulting is willing to sign mylar as-builts for the Town, as the project design engineer and based upon the stamped District Engineer certifications prepared by Ken Ross for the public water and sewer improvements installed in 2008. The Board instructed Ms. Fritsche to discuss this option with the attorney and manager for the Town of Gypsum.
- May 2012 Regular Election Ms. Fritsche gave the Board an update on the results of the District's Election. Since there were not more candidates than offices to be filled, the May 8, 2012 Regular Special District Election was canceled on March 6, 2012. Don Janklow, Scott Green and Russ Hatle were elected by acclamation to the Board of Directors. Directors Janklow and Green ran for 4 year terms expiring in May 2016, and Director Hatle ran for a 2-year term expiring in May 2014.
- Adjournment There being no further business to come before the Board, and upon motion duly made by Director Janklow, seconded by Director Hatle, and unanimously carried, the meeting was adjourned.



Secretary for the Meeting