

RECORD OF PROCEEDINGS

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

Held: Friday, July 15, 2011 at 1:00 p.m., at 28 Second Street, Suite 213, Edwards, Colorado.

Attendance

The regular 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:

C. Michael Budd
Darrel D. Schmidt
Robert J. Melun
Donald E. Janklow
Russ E. Hatle

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

Call to Order

Director Budd 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.

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.

RECORD OF PROCEEDINGS

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. Director Budd also reported that he was hired as an expert witness to testify in Bankruptcy Court on the valuation of the Brightwater Development and that he is being paid an hourly rate for work and testimony pertaining to his expert witness testimony.

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; and Rampart Holdings, LLC. This disclosure is associated with approval of items on the agenda, which may affect his interests or those of Clearwater Development, Inc. Director Hatle also reported that he appeared at a continued creditors hearing in Bankruptcy Court (4 hours) on June 29, 2011 and that he will be receiving \$1,000 in compensation.

Director Schmidt 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 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 Melun reported that he is an owner of real property within the District and a member of Gorebridge Properties, LLC which owns additional lots within the District. This disclosure is associated with approval of items on the agenda, which may affect his interests.

Written disclosures of these interests 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 regular meeting of the Board of Directors held on April 22, 2011 were read. Upon motion duly made by Director Schmidt, seconded by Director Melun, and unanimously carried, the minutes were approved by the Board of Directors.

RECORD OF PROCEEDINGS

- Preliminary Assessed Valuation Mr. Weaver distributed a comparison of assessed valuations by parcels for the years 2010, 2011 and 2012. A discussion followed with Board members questioning how valuations were determined for certain parcels. The Board expects the property to be reappraised after the bankruptcy sale.
- The Board affirmed its decision to keep the debt service mill levy as low as possible for 2011-2012 as being in the best interest of the District.
- Financial Report/Payables Mr. Weaver reviewed with the Board the District's preliminary financial reports dated June 30, 2011 and accounts payable July 15, 2011. Upon motion duly made by Director Melun, seconded by Director Schmidt, and unanimously carried, the Board accepted the financial reports and approved and ratified the payment of claims as presented in the amount of \$27,269.13.
- CDI Bankruptcy Director Hatle gave the Board an update on the status of CDI's Chapter 11 Bankruptcy. A recent letter issued by Reconcile, LLC to Brightwater Club Members was included in the meeting packet.
- District Website Mr. Weaver stated the District's website is still under construction; however he expects it to be operational in the next few weeks.
- Security Mr. Weaver gave a brief update of security issues and procedures. The District anticipates providing the same level of security through 2012.
- Adjournment There being no further business to come before the Board, and upon motion duly made by Director Schmidt and seconded by Director Hatle and unanimously carried, the meeting was adjourned.


Secretary for the Meeting