

RECORD OF PROCEEDINGS

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

Held: Friday, October 21, 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:

Darrel D. Schmidt
Donald E. Janklow
Russ E. Hatle

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

Directors C. Michael Budd and Robert J. Melun participated via teleconference.

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. Directors Budd and Melun were notified that telephonic participation did not allow the Directors to vote on matters as part of the Board quorum.

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.

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

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Director Schmidt reported that he personally owns real property within the District and that he is a member of Signature Equities, LLC, which owns multiple lots 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.

Appointment of Acting President

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

Public Comment

There was no public comment.

Meeting Minutes

The minutes of the regular meeting of the Board of Directors held on July 15, 2011 were read. Upon motion duly made by Director Schmidt, seconded by Director Hatle, and unanimously carried, the minutes were approved by the Board of Directors, as amended.

2011 Budget Amendment

Ms. Fritsche reported to the Board that the meeting had been published in the *Eagle Valley Enterprise* as the District's hearing to amend its 2011 budget, if necessary. Director Janklow opened the public hearing. Mr. Weaver presented the District's proposed amended 2011 General Fund budget and explained that the increase in expenditures in the General Fund was caused by the District transferring capital project funds to the Debt Service Fund to meet the District's annual debt service obligation. The debt service funds must be in the account at or before mill levy certification. Director Janklow closed the hearing. Upon motion made by Director Hatle, seconded by Director Schmidt, and unanimously carried, the Board approved a resolution amending its 2011 General Fund expenditures from \$195,312.00 to \$1,612,343.00.

2012 Budget

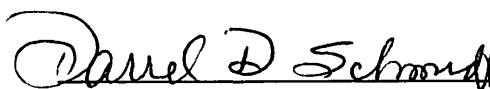
Ms. Fritsche reported to the Board that the meeting had been published in the *Eagle Valley Enterprise* as the District's hearing for its 2012 budget. Director Janklow opened the public hearing on the District's 2012 budget. Seeing no members of the public wishing to comment, Director Janklow closed the public hearing. Mr. Weaver presented a proposed budget to the Board. The Board reviewed budget line items and discussed alternatives concerning mill levies. Upon motion duly made by Director Hatle, seconded by Director Schmidt and unanimously carried, the Board determined to adopt the 2012 budget as amended and to appropriate funds, by fund, subject to any revision in final assessed valuation determined by the Eagle County Assessor and authorizing Mr. Weaver to adjust the debt service mill levy as necessary taking into account any revenue received from the CDI bankruptcy sale. The general fund mill levy was certified at 15 mills.

Financial Report/Payables

Mr. Weaver reviewed with the Board the District's preliminary financial reports dated September 30, 2011 and accounts payable dated October 21, 2011. Upon motion duly made by Director Hatle, 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 \$29,512.86.

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- 2012 Meeting Schedule Upon motion duly made by Director Hatle, seconded by Director Schmidt, and unanimously carried, the Board set its meeting schedule for 2012 as generally, the third Friday of the first month of every quarter and setting a tentative November meeting in case the Board would need to meet again to finalize the 2013 budget. The dates were set as January 20th, April 20th July 20th, October 19th and November 16th, 2012.
- 2012 Regular Election Upon motion duly made by Director Schmidt, seconded by Director Hatle, and unanimously carried, the Board adopted a Resolution calling the District's 2012 Regular Election and appointing Cheri Curtis as the Designated Election Official for the mail ballot election.
- 2011 Audit Upon motion duly made by Director Schmidt, seconded by Director Hatle, and unanimously carried, the Board authorized Chadwick, Steinkirchner, Davis & Co., to prepare the District's 2011 audit.
- Security Mr. Weaver gave the Board an update on security matters including Brightwater Club POA plans to acquire software to allow remote access for the gates. A discussion followed concerning the POA position on continued manned security and future cost thereof. The Board determined to continue the current contract for an additional year.
- Developer Update Director Hatle gave an update on the status of CDI bankruptcy. The bankruptcy sale of company assets is currently scheduled for October 28, 2011 with Reconcile, LLC as the court approved buyer.
- District Infrastructure- Filings 4, 5 & 6 Mr. Weaver and Director Hatle informed the Board of the status of plat acceptance by the Town and infrastructure improvements, public and private for Filings 4, 5 and 6. Wrangler's Crossing in Filing 5 has water and sewer improvements that were installed in 2008 and accented by the District. No additional infrastructure was installed in this Filing and the Town will not accept dedication of the water and sanitary sewer improvements until they are connected to the Town's system and all of the required infrastructure has been installed in accordance with the plat. The current value of the improvements on the District's books is \$_____. In a motion made by Director Schmidt, seconded by Director Hatle and unanimously carried, the Board determined to request the Town make a condition of any amendment to or change in platting, such as a super-pad to Wrangler's Crossing to include a condition that the then current owner will be responsible for any and all improvements to the existing water and sanitary sewer lines required for initial Town acceptance and warranty coverage until final written acceptance by the Town.
- A discussion followed concerning Brock Consulting's' claim against Rampart Holdings, LLC for funds owed in connection with work done on Filings 4 and 5, which is preventing the Town from accepting the water and sanitary sewer improvements owned by the District in Doll Station and Tall Grass. The dedication should have been approved in January, 2011. The Board suggested a letter be sent to Mr. Brock and will revisit this matter at its next Board meeting.
- Adjournment There being no further business to come before the Board, and upon motion duly made by Director Hatle and seconded by Director Schmidt and unanimously carried, the meeting was adjourned.


Secretary for the Meeting