

RECORD OF PROCEEDINGS

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

Held: Friday, October 22, 2010 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
Carl H. Luppens
Russ E. Hatle
Robert J. Melun

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

Diane Luppens, property owner, participated via teleconference.

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.

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.

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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; 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 Luppens 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.

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 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
Director Matters

There was no public comment.

Director Budd discussed with the Board the District's policy concerning authorization of work to be performed by consultants. The Board agreed that direction to consultants is given at Board meetings or by the Board President. Any requests for work to be performed by District consultants given outside of a Board meeting must be approved by the Board President and directed through the Board President.

Meeting Minutes

The minutes of the regular meeting of the Board of Directors held on July 23, 2010 were read. Upon motion duly made by Director Hatle, seconded by Director Schmidt 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 payment of claims dated October 22, 2010. Upon motion duly made by Director Hatle, seconded by Director Melun and carried, the Board approved and ratified the payment of claims in the amended amount of \$135,156.50 with Director Luppens objecting to the \$7,647.50 payment to M&J, LLC. Mr. Weaver reviewed with the Board the District's preliminary financial reports dated September 30, 2010. Upon motion duly made by Director Hatle, seconded by Director Melun and unanimously carried, the Board accepted the financial reports as presented.

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2011 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 2011 budget. Director Budd opened the public hearing on the District's 2011 budget. Mr. Weaver presented a proposed budget to the Board. The Board reviewed budget line items and discussed alternatives concerning mill levies and capital improvements. Director Budd closed the public hearing. Upon motion duly made by Director Schmidt, seconded by Director Melun and unanimously carried, the Board determined to adopt the 2011 budget as amended and to appropriate funds, by fund, subject to a minor revision in final assessed valuation determined by the Eagle County Assessor; provided, however, that most of the tax liens are sold at the County tax sale to be conducted on October 26, 2010. If Mr. Weaver finds that a significant number of tax liens are not sold, a Board meeting will be held on November 19th allowing the Board to review and amend the 2011 budget prior to the December 15th deadline to certify mill levies.

After discussion, the Board determined to set the debt service mill levy at 30 mills and to use the District's capital projects fund to supplement debt service payments before increasing the mill levy for the following reasons: (1) the District is currently unable to use its capital project fund to acquire public improvements because there are no eligible public improvements, nor are there any anticipated improvements to be constructed in the next few years; (2) for marketing purposes, the Board believes Brightwater Club should not have a debt service mill levy significantly higher than comparable developments in the Valley; (3) for future development, the Board believes a high annual property tax may discourage potential investors from considering acquisition of property in Brightwater Club; and (4) holding a significant capital projects fund creates negative arbitrage. Upon motion duly made by Director Melun, seconded by Director Schmidt and unanimously carried, the Board certified 15 mills for the general fund and 30 mills for the debt service fund for collection in 2011.

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2010 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 2010 budget. Director Budd opened the public hearing. Mr. Weaver presented the District's proposed amended 2010 General Fund and Debt Service Fund budgets 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. Director Budd closed the hearing. Upon motion made by Director Schmidt, seconded by Director Melun, and unanimously carried, the Board approved a resolution amending its 2010 General Fund expenditures from \$664,632.00 to \$2,208,099.00 and Debt Service Fund expenditures from \$1,655,300.00 to \$1,643,079.00.

Developer Status
Update

Director Hatle gave the Board an update concerning completion of infrastructure in Filing 4/Tall Grass and Filing 5/Doll Station. Completion of paving, street lights, street signs, shouldering and inspection by the Town are expected by the end of November. Upon approval by the Town of Gypsum, Tall Grass and Doll Station will add 45 finished lots to Brightwater Club, leaving 60 platted, un-finished lots (20 - Creekside, 25 - Wranglers Crossing, 15 - Mountain Spur).

Continuing Disclosure
General Obligation
Limited Tax Bonds,
Series 2008

Mr. Weaver presented the Board with a draft quarterly continuing disclosure report, required to be filed under the 2008 Bond documents. Upon motion duly made by Director Schmidt, seconded by Director Hatle and unanimously carried, the Board approved the Continuing Disclosure Report including the adopted 2011 budget.

Security

Mr. Weaver gave the Board an update on security matters. A discussion followed concerning the Brightwater Club POA position on continued manned security and cost thereof. No action was taken by the Board.

Acquisition of
Brightwater Club Golf
Course

The Board reviewed a memorandum prepared by Ms. Fritsche outlining the process and identifying issues concerning potential acquisition of the Brightwater Club golf course by the District. A Board discussion followed. The Board determined that, other obstacles aside, the District is not and will not be in a position in the foreseeable future to cash flow golf course operations and further expenditure of District resources investigating this matter is not warranted. The Board also determined not to pursue other potential ownership options for the golf course that would not require the District to cash flow operations.

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- Valley Road Fence Maintenance Agreement Upon motion duly made by Director Schmidt, seconded by Director Hatle and carried, the Board approved and ratified the Valley Road Fence Maintenance Agreement with M&J, LLC, in the amount of \$600 annually to cover maintenance of the all fencing along Valley Road and the fisherman's trail. Director Luppens abstained from voting.
- Valley Road Weed Control Upon motion duly made by Director Hatle, seconded by Director Melun and unanimously carried, the Board approved a proposal from M&J, LLC for weed control for 2011 in the amount of \$735.00 per application.
- Amendments 60 & 61 and Proposition 101 Ms. Fritsche distributed a summary of ballot measure provisions and impacts of Amendments 60 & 61 and Proposition 101 prepared by CCI, CML and SDA for the Board's review. Upon motion duly made by Director Hatle, seconded by Director Melun and carried, the Board approved a resolution opposing the measures. Director Luppens voted against the resolution.
- 2010 Audit Upon motion duly made by Director Luppens, seconded by Director Melun, and unanimously carried, the Board authorized Chadwick, Steinkirchner, Davis & Co., to prepare the District's 2010 audit.
- Adjournment There being no further business to come before the Board, and upon motion duly made by Director Melun and seconded by Director Schmidt and unanimously carried, the meeting was adjourned.



Secretary for the Meeting