

RECORD OF PROCEEDINGS

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

Held: Friday, November 13, 2009 at 1:00 p.m., at 296 Village Club Drive, Gypsum, Colorado.

Attendance

The continued 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
Ian K. Hause*
Russ E. Hatle*
Vernon L. Brock
Carl H. Luppens*

Also present: Eric Weaver, Robertson & Marchetti, P.C.; Joan Fritsche, Foster Graham Milstein & Calisher, LLP; Russell Thrasher, Thrasher, LLC; Michael Brown, Mikim Brown; and property owner Lynn Jankow.

Karl Mosch, property owner, participated via teleconference.

* Arrivals and departures where indicated.

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 the Directors had confirmed their qualification to serve, and therefore called the continued 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 a real estate broker with Prudential Colorado Properties and represents property owners within the District. This disclosure is associated with approval of items on the agenda, which may affect his interests.

Director Brock reported that he is an owner of real property within the District and has had a consulting contract with 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. This disclosure is associated with approval of items on the agenda, which may affect his interests or those of Clearwater Development, Inc.

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; and Hares Ear LLC. This disclosure is associated with approval of items on the agenda, which may affect his interests or those of Clearwater Development, Inc.

Director Hause reported that he is an owner of real property within the District and a consultant to 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. 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.

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.

RECORD OF PROCEEDINGS

- Meeting Minutes The minutes of the regular meeting of the Board of Directors held on October 14, 2009 were read. Upon motion duly made by Director Hatle, seconded by Director Brock and unanimously carried, the minutes were approved by the Board of Directors, as amended.
- * Director Luppens arrived.
- Fence Contract Mr. Thrasher gave the Board an update on the status of fence installation along Valley Road and the extension of the fence and rough fisherman's trail to Gypsum Creek. Director Luppens questioned the rail placement and lack of bracing on the backside of the fence along Valley Road. Mr. Thrasher responded to Director Luppens.
- Oath of Office Director Budd administered an Oath of Office to Director Luppens.
- Conflicts of Interest Ms. Fritsche raised the issue of new conflicts of interest arising between individual board members and the District with respect to the change in economic conditions on a regional level and at Brightwater Club. In particular, Clearwater Development, Inc. ("CDI") and the Town of Gypsum do not agree on the scope of public improvements to be completed within Filings 4 & 5 of Brightwater Club and take from completion bonds issued to the Town by CDI. The District's interests are in closer alignment with the Town's position because the District owns water and sanitation improvements waiting to be conveyed to the Town for ownership and maintenance and additional finished lots should increase the District's assessed valuation. Directors Hatle and Hause are representatives of CDI. Director Luppens runs a blog which is highly critical of CDI and has stated his goals are to actively work towards lowering the overall assessed valuation at Brightwater Club and property taxes imposed by the District. Lower assessed valuation and a lower mill levy will make it difficult for the District to meet its debt service and operations obligations. Director Budd reminded the Directors of their fiduciary duty to the District, that the District acts through its Board of Directors at duly noticed meetings and that Directors need to clarify that their actions or opinions are personal and they are not representing the District in their individual capacities when dealing with the public, property owners or the Town.
- May 2010 Regular Election Upon motion duly made by Director Hatle and seconded by Director Brock, the Board approved a resolution calling the District's 2010 regular election.

RECORD OF PROCEEDINGS

Financial
Report/Payables

Mr. Weaver reviewed with the Board the District's financial reports dated October 31, 2009 and payment of claims dated November 1, 2009. Upon motion by Director Hause, seconded by Director Hatle and unanimously carried, the Board accepted the financial reports and approved and ratified the payment of claims as presented.

2010 Budget

Director Budd opened the continued public hearing on the District's 2010 budget. After discussion, Director Budd closed the public hearing. Upon motion by Director Brock, seconded by Director Hause and unanimously carried, the Board determined to adopt the 2010 budget as presented, subject to a minor revision in final assessed valuation; provided, however, that the County Assessor's final determination of assessed valuation does not drop more than 9% from \$14,808,466. If the final valuation falls below the threshold amount, the Board shall hold a continued meeting on December 11, 2009 at 1:00 p.m. to adopt an amended 2010 budget.

Upon motion by Director Hause, seconded by Director Brock and unanimously carried, the Board determined to appropriate funds, by fund for 2010.

Upon motion by Director Hatle, seconded by Director Hause and unanimously carried, the Board certified 15 mills for the general fund and 30 mills for the debt service fund for collection in 2010. The debt service mill levy was set at 30 mills due to a transfer of \$395,000 from the capital projects account to the surplus fund to cover the shortfall in property tax revenue.

Status of Town Calling
Completion Bonds

*Directors Hatle and Hause departed at this time. Director Budd gave the Board an update from a meeting attended by Jeff Shroll, Town manager, Jim Hancock, Town engineer, Vern Brock, Eric Weaver, Joan Fritsche (via teleconference) and himself concerning the Town's plan for completing the infrastructure in Filings 4, 5 & 6 based upon available completion bond funds. The Town is considering deplatting Filing 4A (Creekside) into a super pad in order to complete the rest of the improvements in Filing 4. The Town is still gathering information and has not formulated an action plan. Town staff intends to direct the bonding companies to deal directly with Town staff and consultants going forward.

RECORD OF PROCEEDINGS

Continuation of
Meeting

There being no further business to come before the Board, and upon motion duly made by Director Hatle, seconded by Director Hause and unanimously carried, the meeting was continued to December 11, 2009 at 1:00 p.m., subject to a significant change in the final assessed valuation determination of the District.



Secretary for the Meeting