

## RECORD OF PROCEEDINGS

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

Held: Tuesday, December 6, 2011 at 10:00 a.m., via teleconference.

#### 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, participated via teleconference:

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

Also participating via teleconference 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, and stated for the record that as a telephonic meeting, the Board is prohibited by law from taking official action.

#### 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.

### 2012 Budget

Director Budd informed the Board that the purpose of the meeting was to hold a work session on the 2012 budget in light of the fact that the CDI bankruptcy sale did not occur in 2011 and the District has not received anticipated property tax revenue from that transaction. Mr. Weaver informed the Board that, under the District's Bond Indenture, the defined term of "Required Mill Levy" requires funds to be in the District's accounts at the time of mill levy certification. The District has a shortfall of approximately \$125,000 in 2011 revenue because delinquent property taxes were not paid as part of the anticipated bankruptcy sale. Mr. Weaver and Ms. Fritsche considered other financing options that would allow the District to hold its debt service mill levy in the 30 mill range and determined those options were not feasible based upon state law, the District's Service Plan or Indenture limitations or requirements. The District's debt service mill levy must go up to 50 mills in order to generate the maximum available debt service revenue in 2012. The Board directed Mr. Weaver to prepare a notice to be sent to property owners prior to the distribution of County property tax notices.

### Adjournment

There being no business upon which the Board could act, and upon motion duly made by Director Hatle and seconded by Director Schmidt and unanimously carried, the work session/meeting was adjourned.

  
Secretary for the Meeting