

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE ARABIAN ACRES METROPOLITAN DISTRICT HELD MARCH 18, 2015

A regular meeting of the Board of Directors of the Arabian Acres Metropolitan District (the "Board") was duly held on Wednesday, March 18, 2015, at 6:00 p.m., at the Police Department, Community Room, 911 Tamarac Parkway, Woodland Park, Colorado. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Robert "Elric" Winterer
Wade Holder
Edith Coffman
Lanny E. Hoel

Absence Excused: Rebecca Seaman

Also In Attendance Were:

Peter Italiano; Special District Management Services, Inc.
Joan Fritsche, Esq.; Collins Cockrel & Cole, P.C. (via speakerphone)
Members of the Public; see attached list

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential Conflicts of Interest: The Board discussed the requirements pursuant to the Colorado Revised Statutes to disclose any potential conflicts of interest to the Board of Directors and to the Secretary of State. Director Winterer noted that a quorum was present and requested members of the Board to disclose any potential conflicts of interest with regard to any matters scheduled for discussion at this meeting, and incorporated for the record those applicable disclosures made by the Board members prior to this meeting in accordance with the statute. It was noted that there were no conflicts.

ADMINISTRATIVE MATTERS

Agenda: Director Winterer reviewed the proposed Agenda for the District's regular Board Meeting. Following discussion, upon motion duly made by Director Coffman, seconded by Director Hoel and, upon vote, unanimously carried, the Agenda was approved, as amended.

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PUBLIC COMMENTS

Comments and Questions: There were no public comments or questions at this time.

Correspondence: No correspondence was received.

MINUTES

Minutes: The Board reviewed the Minutes of the February 18, 2015 Regular Meeting.

Following discussion, upon motion duly made by Director Coffman, seconded by Director Hoel and, upon vote, unanimously carried, the Minutes of the February 18, 2015 Regular Meeting, were approved.

The Board then reviewed the Minutes of the March 4, 2015 Special Meeting.

Following discussion, upon motion duly made by Director Holder, seconded by Director Coffman and, upon vote, unanimously carried, the Minutes of the March 4, 2015 Special Meeting, were approved.

OPERATORS REPORT

Monthly Production and Results of Quality Tests: Mr. Willow reviewed with the Board the Operator's Report, attached hereto.

Mr. Italiano explained to the Board the issue of budget impacts and when or if well #3 and #6 and/or all wells become Ground Water Under the Direct Influence (of surface water) ("GWUDI") classified. At the point that the CDPHE may classify the system as GWUDI impacted, the budget impact is expected to be approximately \$52,000.

Letter from the CDPHE/Water Quality Control Division dated February 18, 2015: Mr. Willow reviewed with the Board the letter from the CDPHE/Water Quality Control Division dated February 18, 2015.

MANAGERS REPORT

Claims: The Board considered approval of payment of claims through the period ending March 18, 2015, totaling \$34,983.08.

Following discussion, upon motion duly made by Director Coffman, seconded by Director Hoel and, upon vote, unanimously carried, the Board approved the payment of claims through the period ending March 18, 2015, totaling \$34,983.08.

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Cash Position Statement: Mr. Italiano distributed a revised cash position statement as of March 16, 2015 for the Board's review.

Following discussion, upon motion duly made by Director Hoel, seconded by Director Coffman and, upon vote, unanimously carried, the Board accepted the cash position statement.

Delinquent Accounts and Unpaid Invoice Report: Mr. Italiano discussed the delinquent account list and unpaid invoice report with the Board, attached hereto. He noted the very positive improvement in both collections rate and total monies outstanding. From year end 2013 to today, the amount of customers who were not paying their bills timely went from 387% down to 9.6%. Likewise, the amount outstanding accounts payable for the same period went from almost \$73,000 down to less than \$5,000, due in part to the judgment liens in place. Finally, it was noted that the number of past due vendors was reduced from almost two dozen to only three.

TRANSITION PLAN

Contract for Management, Accounting and Utility Billing: The Board and Counsel discussed the contract with Metropolitan District Management. Ms. Bertrand agreed to revise Metropolitan District Management contract's indemnification provision to track the provision found in Special District Management Services, Inc.'s contract.

Discussion ensued regarding insurance specific to general liability coverage including errors and omissions and fraud coverage. Attorney Fritsche responded to questions from the Board about insurance and explained why it's in the District and the Board's best interest to require that all its contractors are adequately insured. The embezzlement of approximately \$200,000 in District funds was discovered less than two years ago and the Board should require any contractor managing District funds and accounts to carry adequate professional liability and fraud coverage to protect the District and its Directors from personal liability for approving a contract without adequate coverage. Ms. Bertrand noted for the Board that she could provide the above mentioned insurance coverage information to the Board by tomorrow.

Following discussion, upon motion duly made by Director Holder, seconded by Director Coffman and, upon vote, unanimously carried, the Board approved the contract with Metropolitan District Management, subject to the above issues being resolved.

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The Board then discussed receiving cash payments for utility billing. Mr. Italiano, Attorney Fritsche and Ms. Bertrand voiced concerns against accepting cash payments.

Following discussion, upon motion duly made by Director Coffman, seconded by Director Hoel with Directors Coffman and Hoel voting "Yes" and Directors Winterer and Holder voting "No", the Board failed to approve the motion to not permit acceptance of cash payments for utility billing.

Utility Billing and Accounting Software: Director Winterer discussed several software options and noted that Board members each (individually) reviewed these options at his home. Ms. Bertrand noted that she will review the software (FREY) and ensure compatibility with QuickBooks. Director Coffman noted that Kurt Kofford is to provide guidelines for QuickBooks and will forward to the Board and Management once received.

LEGAL MATTERS

EMMA Disclosure: Attorney Fritsche distributed the Material Event Notice filed on EMMA dated May 30, 2014 regarding the Districts Water Revenue Refunding Bonds, Series 2007 and reviewed the Bond Covenant provisions with the Board and statements concerning District management and accounting practices contained in the Notice. Attorney Fritsche asked the Board to direct Mr. Italiano to alert the Bondholders to the changes in management, accounting and legal consulting contracts with a copy to the Board President, Ms. Bertrand and Attorney Fritsche. The Board agreed.

EXECUTIVE SESSION

EXECUTIVE SESSION: Pursuant to Section 24-6-402(4)(b) of the Colorado Revised Statutes, upon motion duly made by Director Coffman, seconded by Director Holder and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 7:35 p.m. for the purpose of receiving legal advice and instructing negotiators on matters related to the Rupp Family Partnership litigation.

Furthermore, pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S., no minutes or recording will be kept of the executive session that, in the opinion of the District's attorney, constitute privileged attorney-client communication pursuant to Section 24-6-402(4)(b), C.R.S.

The Board reconvened in regular session at 8:18 p.m.

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OTHER BUSINESS

Directors Coffman and Hoel addressed the Board and tendered their Letters of Resignation.

Ms. Zuniga raised concerns about her billing and meter readings.

Director Winterer requested that the 2015 schedule of rates, fees and charges be posted on the District's website and sent to Ms. Bertrand for her information.

ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made by Director Holder, seconded by Director Hoel and, upon vote, unanimously carried, the meeting was adjourned.

Respectfully submitted,

By _____
Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL MARCH 18, 2015
MINUTES OF THE ARABIAN ACRES METROPOLITAN DISTRICT BY
THE BOARD OF DIRECTORS SIGNING BELOW:

Robert "Elric" Winterer

Wade Holder

Edith Coffman

Lanny E. Hoel

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Attorney Statement REGARDING PRIVILEGED ATTORNEY-CLIENT COMMUNICATION

Pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as the attorney representing the Arabian Acres Metropolitan District, I attended the executive session meeting of the Arabian Acres Metropolitan District convened at 7:35 p.m. on March 18, 2015 for the sole purpose of discussing matters related to the Rupp Family Partnership litigation. I further attest it is my opinion that all of the executive session discussion constituted a privileged attorney-client communication as provided by Section 24-6-402(4)(b), C.R.S. and, based on that opinion, no further record, written or electronic, was kept or required to be kept pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S.

Signed

Joan Fritsche, Attorney for the District

Dated:
