

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE ARABIAN ACRES METROPOLITAN DISTRICT HELD APRIL 29, 2014

A special meeting of the Board of Directors of the Arabian Acres Metropolitan District (the "Board") was duly held on Tuesday, April 29, 2014, 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:

Charles Hallam
Sandy Zuniga
Lynda Morgan
Lanny E. Hoel
Edith Coffman

Also In Attendance Were:

Peter Italiano; Special District Management Services, Inc.

Joan Fritsche, Esq.; Collins, Cockrel & Cole, P.C.

Evan Ela, Esq. and Joe Norris, Esq.; Collins, Cockrel & Cole, P.C. (via speakerphone)

Bruce Lytle; Lytle Water Solutions

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 Hallam 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.

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ADMINISTRATIVE MATTERS

Agenda: Mr. Italiano reviewed the proposed Agenda for the District's special Board Meeting.

Following discussion, upon motion duly made by Director Morgan, seconded by Director Coffman and, upon vote, unanimously carried, the Agenda was approved, as amended.

FINANCIAL MATTERS

Claims: The Board considered approval of payment of claims through the period ending April 29, 2014, totaling \$14,011.04.

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 April 29, 2014, totaling \$14,011.04.

Cash Position Statement: Mr. Italiano distributed cash position statement as of April 26, 2014 for the Board's review.

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

LEGAL MATTERS

Preliminary Engineering Report ("PER") for the Grant/Loan Process: The Board discussed the contract to develop a preliminary engineering report ("PER") for the grant/loan process between the District and Aquaworks DBO, Inc.

Following discussion, upon motion duly made by Director Zuniga, seconded by Director Morgan and, upon vote, unanimously carried, the Board ratified approval of the contract to develop a preliminary engineering report ("PER") for the grant/loan process between the District and Aquaworks DBO, Inc.

Public Hearing on the Petition for Exclusion of Land Owned by Pete C. Kuyper and Jacqueline E. Kuyper, PK Enterprises, Inc. and TH Promotions, Inc. Referred to as the Lost Dutchman Property: Director Hallam opened the public hearing to consider the exclusion of the Land Owned by Pete C. Kuyper and Jacqueline E. Kuyper, PK Enterprises, Inc. and TH Promotions, Inc. referred to as the Lost Dutchman Property from the boundaries of the District.

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Attorney Fritsche noted the Petition as submitted with the District, meets the statutory requirements. Attorney Fritsche noted that the Notice of Hearing on the Petition for Exclusion of the property to be considered by the Board , including the date, time and place of the public hearing was made in a newspaper ("The Mountain Jackpot") having general circulation within the District, in accordance with statute.

No written objections to the Exclusion were received prior to this public hearing.

Attorney Fritsche discussed with the Board the memo dated April 25, 2014 regarding "Findings of Statutory Factors".

Mr. Kuyper addressed the Board with his proposal. He claimed his effective rate is approximately \$432 per 1,000 gallons.

Attorney Ela discussed the statutory criteria the Board is required to consider relative to Mr. Kuyper's request concerning the legal and physical requirements of delivering water.

Mr. Lytle addressed the Board with his review of Mr. Kuyper's proposal and highlighted the potential benefits and also the negative impacts to the District. He also discussed the legal issues surrounding water rights and potential hurdle of Water Court and noted that the typical time is two to three years.

Directors Hallam and Morgan asked Mr. Lytle about what could be done for the Board to gain enough information to make an informed decision.

Mr. Lytle replied the first step would be proper pump testing of the LD wells in an industry standard manner and monitor/testing the District wells simultaneously.

Director Morgan asked Mr. Lytle how long does the testing take?

Mr. Lytle replied that it would take a couple of days per well and that these are standard tests-not anything new.

Director Coffman asked Mr. Lytle how long it would it take to get water rights changed in court?

Mr. Lytle replied about two to three years but it is also possible to get an administrative ruling on a temporary basis.

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Director Zuniga asked whether or not these well tests have happened?

Mr. Lytle replied that no the tests have not been done yet.

Director Zuniga then then inquired about who asked Mr. Kuyper to do these tests and did Mr. Kuyper come here tonight without doing the tests?

Attorney Ela explained the process the District's consultants worked through with Mr. Kuyper.

Mr. Kuyper discussed with the Board the 2009 testing done to his wells and questioned Mr. Lytle as to how comprehensive testing would be performed.

Mr. Lytle discussed the need for 72 hour well pump testing and modeling, and explained the procedures for necessary information gathering to understand the potential injury to District wells.

Mr. Italiano responded to Director Zuniga question as to Mr. Kuyper's numbers and explained that he had not previously heard the numbers and therefore can't intelligently respond.

Public Comment:

Ms. Callan acknowledged the potential but noted that there are too many unknowns.

Mr. Winterer asked the Board how much revenue has the District received from the Lost Dutchman property and how can the District afford to lose it?

Director Hoel asked Mr. Kuyper what amount has his spent so far and would he spend \$90,000 over three years?

Mr. Nash noted that he was running for a seat on the Board and would like to see something worked out with Pete Kuyper. He also noted that there are lots of unknowns and can't see a quick answer for the District. He can't see how the Board could make a decision without more testing and answers.

Following discussion, the public hearing was closed.

Director Hallam expressed his concerns that the Lost Dutchman property and the District are on separate timelines and that the District is not in the position now (however, maybe in the future) to negotiate further.

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Director Hoel noted that he likes the concept but now is not the right time.

Attorney Ela discussed with the Board the eight factors from § 32-1-501(3), C.R.S. which require findings of the Board to approve an exclusion as noted in his April 25, 2014 memo. The statutory factors discussed were as follows:

1. The best interests of all of the following: (I) The property to be excluded; (II) The special district from which the exclusion is proposed; (III) The county or counties in which the special district is located;
2. The relative cost and benefit to the property to be excluded from the provision of the special district's services;
3. The ability of the special district to provide economical and sufficient service to both the property to be excluded and all of the properties within the special district's boundaries;
4. Whether the special district is able to provide services at a reasonable cost compared with the cost that would be imposed by other entities in the surrounding area to provide similar services in the surrounding area or by the fire protection district or county fire improvement district that has agreed to include the property to be excluded from the special district;
5. The effect of denying the petition on employment and other economic conditions in the special district and surrounding area;
6. The economic impact on the region and on the special district, surrounding area, and state as a whole if the petition is denied or the resolution is finally adopted;
7. Whether an economically feasible alternative service may be available; and
8. The additional cost to be levied on other property within the special district if the exclusion is granted.

Director Zuniga at this point asked the Board for a vote. Mr. Italiano read into the record a suggested motion for the Board's consideration as follows:

Motion to deny request for exclusion of the Lost Dutchman Property from the District based upon the Board's findings that there is insufficient information available to ascertain satisfaction of the eight statutory factors as reviewed by the Board and detailed in the Collins, Cockrel & Cole, Memorandum, dated April 25, 2014.

Attorney Fritsche asked the Board to consider a "Friendly Amendment" to the motion to include the statutory citation.

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Following discussion, upon motion duly made by Director Zuniga, seconded by Director Coffman and, upon vote, unanimously carried, the Board approved the amendment to include the statutory citation as suggested by Attorney Fritsche. Following discussion, upon motion duly made by Director Zuniga, seconded by Director Coffman and, upon vote, carried with Directors Zuniga, Coffman, Hallam and Hoel voting "Yes" and Director Morgan voting "No", the Board motioned to deny request for the exclusion of the Lost Dutchman Property from the District based upon the Board's findings that there is insufficient information available to ascertain satisfaction of the eight statutory criteria as cited in §32-1-501(3), C.R.S., and as discussed in the Collins, Cockrel & Cole, P.C. Memorandum dated April 25, 2014 from Attorney Fritsche to the Arabian Acres Metropolitan District Board of Directors, which is attached hereto.

Rupp Family Agreement and Promissory Note: Attorney Fritsche reviewed a revised Rupp Family Partnership, LLLP Agreement and Promissory Note with the Board. She noted it had been approved by the Board as amended and need to be executed.

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ADJOURNMENT

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

Respectfully submitted,

By *Sandy Zuniga*
Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL APRIL 29, 2014
MINUTES OF THE ARABIAN ACRES METROPOLITAN DISTRICT BY
THE BOARD OF DIRECTORS SIGNING BELOW:

Charles Hallam
Charles Hallam

Sandy Zuniga
Sandy Zuniga

Lynda Morgan
Lynda Morgan

Lanny E. Hoel
Lanny E. Hoel

Edith Coffman
Edith Coffman