

## RECORD OF PROCEEDINGS

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### MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE ARABIAN ACRES METROPOLITAN DISTRICT HELD DECEMBER 17, 2014

A regular meeting of the Board of Directors of the Arabian Acres Metropolitan District (the "Board") was duly held on Wednesday, December 17, 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:

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

##### Also In Attendance Were:

Peter Italiano; Special District Management Services, Inc.

Joan Fritsche, Esq.; Collins Cockrel & Cole, P.C. (via conference call)

Lynn Willow; District Operator

Members of the Public; see attached list

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#### 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 Coffman 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:** Director Coffman reviewed the proposed Agenda for the District's regular Board Meeting.

## RECORD OF PROCEEDINGS

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

### PUBLIC COMMENTS

**Comments and Questions:** Director Coffman opened the comments noting that at tomorrow's Teller County Board of County Commissioners meeting the 10.000 judgment mill levy regarding the Settlement Agreement entered into with Collins Cockrel & Cole, P.C. and Special District Management Services, Inc. is on the agenda. Director noted that failure by the Board of County Commissioners to certify the judgment levy could result in the District Board imposing a \$1,000 fee against all customers to pay the judgments and that 8% interest is accruing.

- Mr. Johnson noted his concerns about the Terry Malcom investigation and District Attorney May's apparent in-action.
- Ms. Callan noted that Terry Malcom and the recapture of monies lessens as time marches on. She noted the news article about the 2014 case in the District Attorney's office.
- Director Winterer asked Ms. Callan about her "Better Plan" option rather than the judgment mill levy. She suggested Special District Management Services, Inc. and Collins Cockrel & Cole, P. C. take partial payments overtime as did Gold Rush Water.
- Ms. Coffman asked Attorney Fritsche about the Board of County Commissioners process reading the judgment levy. Attorney Fritsche described the Board of County Commissioners process, the opportunities for comment at the meeting and the statutory requirement for the Board of County Commissioners to approve the judgment certification.
- Ms. Zuniga addressed the Board with questions about the settlement amounts prior to and after final Board approval. Attorney Fritsche stated the settlement amounts did not change. Both firms provided significant discounts on hourly fees and write off's.
- Ms. Hansen addressed the Board and asked if any new management company could work as closely and effectively with Mr. Willow as Special District Management Services, Inc. has especially in emergency situations. Director Winterer replied that he thought yes.

## RECORD OF PROCEEDINGS

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- Ms. Callan questioned Director Seaman about her progress with the USDA. Director Seaman noted there has not been progress on grants or loans. Director Seaman stated the USDA is amending its Rules and Regulations and she plans on working with them through the new process.

### Correspondence:

Mr. Italiano presented an email thread with Mr. Gordon to the Board. The Board denied the request for a waiver of the 6 month payment plan to permit for a longer time frame for repayment with lower monthly fees. The Board Management to stay on course with the prior approved 6 month plan.

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### MINUTES

**Minutes:** The Board reviewed the Minutes of the November 19, 2014 Special Meeting.

Following discussion, upon motion duly made by Director Hoel, seconded by Director Seaman and, upon vote, unanimously carried, the Minutes of the November 19, 2014 Special Meeting, were approved.

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### OPERATOR'S REPORT

**Monthly Production and Results of Quality Tests:** Mr. Willow reviewed the Operator's Report with the Board (attached hereto). He noted that the work on the SCADA system has been completed and he explained how the improvements will save the District time and money.

**Leak Detection:** Mr. Willow and Mr. Italiano presented an informational packet to the Board with a request to purchase an electrical leak detection system. They noted that such a system has potential to save significant time/cost to the District when finding/repairing leaks.

Following discussion, upon motion duly made by Director Coffman, seconded by Director Hoel and, upon vote, passed with Directors Winterer, Coffman and Hoel voting "YES" and Directors Holder and Seaman voting "NO", the Board authorized Mr. Italiano to spend up to \$12,000 for a leak detection system (with a Bluetooth enabled PC laptop), same or suitable to the FCS bid now in front of the Board and to coordinate closely with Mr. Willow to investigate at least two other vendors to confirm best price for value and best customer service for the District.

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## RECORD OF PROCEEDINGS

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### MANAGER'S REPORT

**Claims:** The Board considered approval of payment of claims through the period ending December 10, 2014, totaling \$16,342.33.

Following discussion, upon motion duly made by Director Seaman, seconded by Director Hoel and, upon vote, passed with Directors Winterer, Coffman, Hoel, and Seaman voting "YES" and Director Holder voting "NO", the Board approved the payment of claims through the period ending December 10, 2014, totaling \$16,342.33.

**Cash Position Statement:** Mr. Italiano distributed cash position statement as of December 10, 2014 for the Board's review.

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

**Delinquent Account List and Unpaid Invoice Report:** Mr. Italiano discussed the delinquent account list with the Board and noted that the 2013 year end shows only 62% paying customers, the 2014 year end shows 84% paying customers and the dollar totals for unpaid accounts went from \$132,000 down to \$10,489.

Mr. Italiano discussed the unpaid invoice report with the Board. He noted that after the judgment levy has been certified by the Board of County Commissioners, the list would be updated to report zero past due for Collins Cockrel & Cole, P.C. and Special District Management Services, Inc.

**Loan/Grant Updates:** Mr. Italiano briefed the Board on his meeting with the USDA and noted that Adam Sommers of AquaWorks attended the meeting at no charge to the District. The USDA will require an "Enhanced PER." Mr. Italiano noted that it will cost the District another \$20,000 to submit a loan application to the USDA, verses to the State. Director Seaman noted that she will pursue a grant to cover the additional \$20,000 expenses to submit to the USDA so that the District would not incur additional fees for Mr. Italiano's efforts to secure a grant. Mr. Italiano noted that Allison Trujillo and Robert Scarpa (USDA employees) attended the USDA meeting. The USDA staff stated:

- Grant monies are most likely not available at all.
- The District must increase the cost estimate of the project to included full time on-site construction management.

## RECORD OF PROCEEDINGS

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- The District must show that the District budget can absorb the full cost of any USDA loan without grant money used for any repayment.

Mr. Italiano then briefed the Board on a CDPHE meeting set for tomorrow to discuss the application process for a loan of \$960,000 via the State Revolving Loan Funds and Green Projects Funds. A follow up report will be provided to the Board.

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### LEGAL MATTERS

**Rupp Promissory Note:** Director Holder distributed copies of the Summons and Complaint he was served by Ken Rupp immediately prior to the Board meeting regarding a lawsuit filed by the Rupp Family Partnership, LLLP against the District demanding payment of the Promissory Note. Attorney Fritsche questioned Director Holder as to whether the Board had authorized him to accept service on behalf of the District. Director Holder noted he was unaware he couldn't accept service without permission. Attorney Fritsche was not provided the documents from Mr. Rupp's attorney and attended the meeting via speakerphone and could not review the Summons or Complaint. Further discussion was deferred to Executive Session

**Request for Proposal:** The Board reviewed and approved the revised RFP and determined to extend the deadline to January 5, 2015 for Board members to submit names of companies for Director Coffman to send RFPs to. The RFPs will be distributed after the 5<sup>th</sup> of January and the vendor submittal deadline for reply will be January 30, 2015.

**District By-Laws:** Mr. Italiano distributed for the Boards review draft by-laws prepared by Attorney Fritsche. Attorney Fritsche asked that the Board comment on the draft by-laws by next Friday. Director Winterer note for the Board his desire to reduce the amount of Board meetings that are held in order to save District funds.

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### EXECUTIVE SESSION

**EXECUTIVE SESSION:** Pursuant to Section 24-6-402(4)(b) of the Colorado Revised Statutes, upon motion duly made by Director Winterer, seconded by Director Hoel and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 8:18 p.m. for the purpose of receiving legal advice and instructing negotiators on matters related to the Rupp Family Partnership Note and lawsuit.

Furthermore, pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S., no minutes or recordings will be kept of the executive session that, in the opinion of the

## RECORD OF PROCEEDINGS

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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 8:44 p.m.

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### OTHER BUSINESS

**Meeting Dates, Time and Location for 2015:** Mr. Italiano reviewed the business to be conducted in 2015 to meet the statutory compliance requirements.

Following discussion, upon motion duly made by Director Winterer, seconded by Director Hoel and, upon vote, unanimously carried, the Board determined to continue to hold their regular meetings on the 3<sup>rd</sup> Wednesday of every month at 6:00 p.m., at the Police Department, Community Room, 911 Tamarac Parkway, Woodland Park, Colorado.

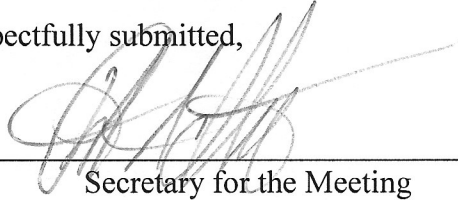
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### ADJOURNMENT

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

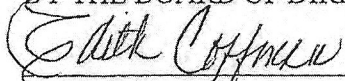
Respectfully submitted,

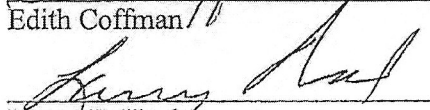
By \_\_\_\_\_

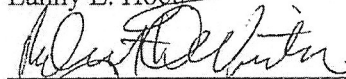
  
Secretary for the Meeting

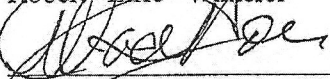
RECORD OF PROCEEDINGS

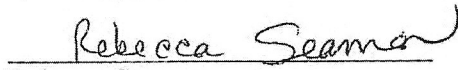
THESE MINUTES ARE APPROVED AS THE OFFICIAL DECEMBER 17, 2014 MINUTES OF THE ARABIAN ACRES METROPOLITAN DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:

  
Edith Coffman

  
Lanny E. Hoel

  
Robert "Elrie" Winterer

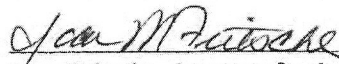
  
Wade Holder

  
Rebecca Seaman

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 8:18 p.m. on December 17, 2014 for the sole purpose of discussing matters related to the Rupp Family Partnership Note. 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: 03/09/2015