

RECORD OF PROCEEDINGS

**MINUTES OF A REGULAR MEETING
OF THE BOARD OF DIRECTORS OF THE
ARABIAN ACRES METROPOLITAN DISTRICT
HELD
FEBRUARY 19, 2014**

A regular meeting of the Board of Directors of the Arabian Acres Metropolitan District (the "Board") was duly held on Wednesday, February 19, 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

Also In Attendance Were:

Peter Italiano; Special District Management Services, Inc.

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

Lynn Willow; District Operator

Kurt Kofford (via teleconference)

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.

**ADMINISTRATIVE
MATTERS**

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

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

Appointment of Director: Following discussion, upon motion duly made by Director Hoel, seconded by Director Morgan and, upon vote, with Director Zuniga abstaining, the Board appointed Edith Coffman to the Board of Directors.

Minutes: The Board reviewed the Minutes of the January 15, 2014 regular meeting and the January 29, 2014 Special Meeting. Following discussion, upon motion duly made by Director Zuniga, seconded by Director Hoel and, upon vote, unanimously carried, the Minutes were approved.

OPERATORS REPORT

Monthly Production and Results of Quality Tests: Mr. Willow distributed his Operator's Report, which is attached hereto.

FINANCIAL MATTERS

Claims: The Board considered approval of payment of claims of \$14,280.92 and ratifying approval of the payment of claims through the period ending February 12, 2014, totaling \$20,725.00.

Director Zuniga questioned the status of collections and whether progress was being made to improve collection ratio. Mr. Italiano noted that based upon current RVS System limitations, numbers may not be fully accurate, but he believes positive progress has been made based on the reduction in delinquent charges from prior 28% to now 25% for 60 days and from 15% to 14% for 61+ days.

Following discussion, upon motion duly made by Director Morgan, seconded by Director Zuniga and, upon vote, unanimously carried, the Board approved the payment of claims of \$14,280.92 and ratified approval of the payment of claims through the period ending February 12, 2014, totaling \$20,725.00 for a total amount of \$35,005.92.

Cash Position Statement: Mr. Italiano distributed basic bank account information and past due/unpaid claims for the Board's review.

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

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Kurt Kofford joined the meeting at 8:00 p.m. via speakerphone to discuss the draft audit.

2012 Audit: Mr. Kofford, BiggsKofford, called into the meeting and discussed the draft 2012 Audit with the Board.

Mr. Kofford asked that the Management Letter be signed for the 2012 Audit. Mr. Italiano noted that Special District Management Services, Inc. is not comfortable in signing the Management Letter since the company was not involved with the District in 2012. Mr. Kofford noted that he would like to have a conference call with Deborah D. McCoy and Mr. Italiano regarding the Management Letter.

Director Morgan asked Mr. Kofford how long it will take after the audit is received by the State Auditor's office before Teller County releases the District's collected property tax revenue. Mr. Kofford replied that there is no clear time frame, however he will try to push the State to ensure that Teller County releases the tax revenue in time for the next bond payment.

LEGAL MATTERS

Petition for Exclusion: Attorney Fritsche reviewed the Petition for Exclusion filed by Trout Haven Resort/Peter Kuyper related entities with the Board. Trout Haven is concerned about the costs and water supply reliability and adequacy.

Attorney Fritsche explained the next step in the statutory exclusion process is for the District to hold a Public Hearing on the Petition for exclusion after publishing notice of the hearing and allowing a minimum thirty days' notice. Attorney Fritsche and Mr. Italiano noted that there is no statutory requirement as to the time frame to hold the public hearing. Researching costs, options and impacts to the District and to Trout Haven will be a complicated process and it is important for the District to keep costs in mind while exploring and researching options related to the exclusion. Trout Haven is required by statute to finance the costs associated with the exclusion and is also financing additional options for the District to consider and the District needs to be respectful of the costs and timing issues.

Attorney Fritsche explained to the Board that the bond debt repayment obligation (24 mills) remains regardless of the exclusion. Ms. Fritsche discussed the requirement of a Service Plan amendment under the Teller County Development Code in order for the District to process an exclusion. It was noted that Trout Haven provided payment deposit towards exclusion

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related expenses in the amount of \$5,000. The Board discussed opening a separate checking account at Park State Bank & Trust.

Following discussion, upon motion duly made by Director Morgan, seconded by Director Zuniga and, upon vote, unanimously carried, the Board authorized opening a separate checking account specific to the exclusion with the same signors as the District's primary account.

Director Zuniga noted for the record that she wanted to be clear that the District will not bear any cost of the exclusion process regardless of the outcome.

Attorney Fritsche suggested that the Board direct Mr. Italiano and Attorney Fritsche to form a committee for the exclusion work. Director Zuniga noted that she would like the Board members and the public on the committee. Mr. Italiano suggested that the Board participation would be cumbersome due to the open records meeting law and timing of getting all the other needed consultants on Board. He also noted that his concern that the time allocation needed could be quite challenging for the Board members. Director Morgan noted her belief that the process would be an incredible undertaking and felt that the Board ought to rely on technical experts. She also noted that she wants updates provided to the Board on a frequent and regular basis. Director Zuniga reaffirmed her feeling of the need to have "Public Experts" to participate. Attorney Fritsche noted that the public will have ample opportunity to participate in the process with the minimum thirty day notice for the public hearing at that time more information as to impacts and costs will be known. Mr. Italiano noted that the best approach would mirror a typical legislative process where staff/expert consultants would wade through the details and the Board members review such findings as part of their role as decision makers.

Following discussion, upon motion duly made by Director Morgan, seconded by Director Zuniga and, upon vote, unanimously carried, the Board authorized Mr. Italiano to form a special technical review committee to include Attorney Fritsche and other professional technical expert consultants appropriate to analyze the Trout Haven exclusion request.

May 2014 Election: Attorney Fritsche noted for the Board that the Deadline to submit Self-Nomination forms is due to the DEO no later than Friday, February 28, 2014, by 5:00 p.m. She noted that although the DEO has only received one Self-Nomination form to date, several people request the form. Attorney Fritsche then explained the difference between the 2 year term and 4 year term options.

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Attorney Fritsch cautioned the Board and public that the District cannot afford costs of holding a full blown election this year. Election costs are not in the 2014 operating budget. This would be the first time since the Organizational Election that the regular election has not been cancelled. If the District goes to election the General Fund budget will need to be amended and funds found to pay the costs on an ongoing basis.

Mr. Italiano and Attorney Fritsche stressed the value in having as much public interest and participation as possible. However at the end of the day they would hope that all potential interested parties could work out an agreement amongst themselves so only five names are on the ballot and the District could cancel the election. This would save the District the expense of holding the election.

Rupp Agreement: Attorney Fritsche reported to the Board that she heard from Ken Rupp and he does not agree with her proposed revisions to the Reimbursement Agreement and Promissory Note. Attorney Fritsche feels that it is not Mr. Rupp's role to revise these documents rather that it is the District's responsibility.

Following discussion, upon motion duly made by Director Morgan, seconded by Director Hoel and, upon vote, unanimously carried, the Board authorized Attorney Fritsche to finalize the Agreement/Promissory Note in a manner acceptable to the District and to communicate such to Mr. Rupp.

PUBLIC COMMENT

Several members of the public wanted to understand what the "long term plan" looked like. Mr. Italiano and Board members explained the historic problems of the poor state of the existing water distribution system and also that grants and loans are being pursued to replace much of the system. Also noted was the meeting with the State Representative Polly Lawrence at the State Capitol last week and the follow up meetings with her staff.

One member of the District stated his concern and frustration with the no water situation and how he had a baby at home and the lack of water is unsanitary and a health hazard. He also wanted to know why he couldn't drill his own well. Mr. Italiano explained that the water rights were transferred to the District when it was formed and therefore he could not get a well permit. The lots in the subdivision are too small for well and septic systems.

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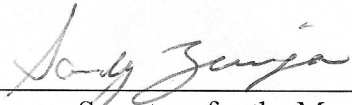
OTHER BUSINESS

Mr. Italiano discussed the recent request by a Bondholder for information being prepared by BiggsKofford, PC. Attorney Fritsche noted that the District is not required to obtain a list of all Bondholders, and is not allowed to share that list with a specific Bondholder and the Board concurred.


ADJOURNMENT

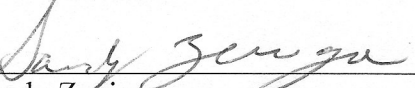
There being no further business to come before the Board at this time, upon motion duly made, seconded and, upon vote, unanimously carried, the meeting was adjourned.

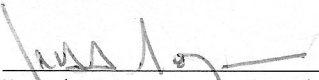
Respectfully submitted,

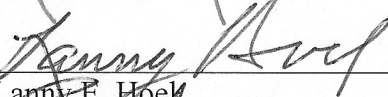
By 
Secretary for the Meeting

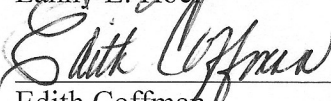
THESE MINUTES ARE APPROVED AS THE OFFICIAL FEBRUARY 19, 2014 MINUTES OF THE ARABIAN ACRES METROPOLITAN DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:


Charles Hallam


Sandy Zuniga


Lynda Morgan


Lanny E. Hoel


Edith Coffman