

## RECORD OF PROCEEDINGS

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### MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS OF THE ARABIAN ACRES METROPOLITAN DISTRICT HELD JANAURY 15, 2014

A regular meeting of the Board of Directors of the Arabian Acres Metropolitan District (the "Board") was duly held on Wednesday, January 15, 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.

Lynn Willow; District Operator

Leroy Cruz; Colorado Rural Water Association

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 or potential breaches of fiduciary duty 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.

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### ADMINISTRATIVE MATTERS

**Meeting Protocols:** Director Hallam addressed the public and noted how the meeting will be conducted.

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

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

**Minutes:** The Board reviewed the Minutes of the December 18, 2013 regular meeting. Following discussion, upon motion duly made by Director Morgan, seconded by Director Zuniga and, upon vote, unanimously carried, the Minutes were approved.

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### OPERATORS REPORT

**Monthly Production and Results of Quality Tests:** Mr. Willow distributed his Operator's Report, which is attached hereto. Mr. Willow also noted that the recently completed CDPHE Sanitary Survey passed with highest grade and there were no health related concerns.

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### FINANCIAL MATTERS

**Presentation of possible Funding Opportunities:** Mr. Cruz addressed the Board and presented possible short and long term funding options.

**Claims:** The Board considered ratifying approval of the payment of claims through the period ending January 15, 2014, totaling \$6,402.27.

Following discussion, upon motion duly made by Director Morgan, seconded by Director Hoel and, upon vote, unanimously carried, the Board ratified approval of the payment of claims for the period ending January 15, 2014.

**Financial Statements:** The unaudited financial statements were not available at this time. Mr. Italiano distributed basic bank account information and priority form for suggested payables.

Following discussion, upon motion duly made by Director Morgan, seconded by Director Zungia and, upon vote, unanimously carried, the Board approved the prioritized payables.

**2012 Audit:** Mr. Italiano noted for the Board that the auditor is still working on the 2012 Audit. They discussed the recent request from BiggKofford for

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additional information and had Director Morgan sign another audit for Zions Bank.

### LEGAL MATTERS

**Agreement with J.A. Excavating, Inc. for District ORC and Operator Services for 2014:** The Board reviewed the Agreement with J.A. Excavating, Inc. for District ORC and Operator Services for 2014.

Following discussion, upon motion duly made by Director Morgan, seconded by Director Zuniga and, upon vote, unanimously carried, the Board approved the Agreement with J.A. Excavating, Inc. for District ORC and Operator Services for 2014.

**Amendment to the District's NRWA Revolving Loan Fund Promissory Note, Loan and Security Agreement:** The Board reviewed the Amendment to the District's NRWA Revolving Loan Fund Promissory Note, Loan and Security Agreement. The Board determined that based upon its current and immediate financial crisis it could not commit to the new terms proposed; additionally it felt that the insurance requirements were too high. No Action was taken by the Board.

**Director Conflict of Interest forms and Complete Affidavits of Director Qualifications:** Attorney Fritsche distributed and reviewed updated Director Conflict of Interest forms and Complete Affidavits of Director Qualifications with the Board.

2014 Annual Administrative Resolution: Attorney Fritsche reviewed with the Board the 2014 Annual Administrative Resolution.

Following discussion, upon motion duly made by Director Morgan, seconded by Director Zuniga and, upon vote, unanimously carried, the Board adopted the Annual Administrative Resolution, subject to revisions.

**Rupp Note:** Attorney Fritsche discussed the process of District Formation and how the County 1041 process increased formation costs beyond bond limit. Therefore, Rupp took a Promissory Note from the District which is due each year until the balance is paid off.

Following discussion, upon motion duly made by Director Morgan, seconded by Director Hoel and, upon vote, unanimously carried, the Board approved a 2014 Promissory Note, to Rupp Family Partnerships in the amount of \$37,354.00.

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**Issuance of Promissory Notes Constituting Indebtedness of the District:**

Following discussion, upon motion duly made by Director Zuniga, seconded by Director Morgan and, upon vote, unanimously carried, the Board approved Promissory Notes specific to Collins, Cockrel & Cole, P.C. and Special District Management Services, Inc. acknowledging past due balances due and owing

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**PUBLIC COMMENT**

Several members of the public expressed their concerns. See attached.

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**OTHER BUSINESS**

**Water Donations:** The Board discussed the prior donations to the District. Following discussion, upon motion duly made by Director Zuniga, seconded by Director Morgan and, upon vote, unanimously carried, the Board authorized Mr. Italiano to draft a memo to the prior donors to discuss refund options.

**Resident Request:** Mr. Italiano brought to the Board's attention a request by the owner of 401 Banner Trail that her renter left the house destroyed and has an outstanding bill of \$2,642.11.

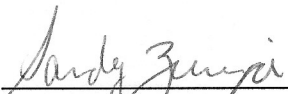
Following discussion, upon motion duly made by Director Hoel, seconded by Director Morgan and, upon vote, unanimously carried, the Board denied the request and directed Mr. Italiano to keep the water service turned off until a payment plan for maximum of 3 months has been reached.

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**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 at 9:45 p.m.

Respectfully submitted,

By   
Secretary for the Meeting

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