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RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE ARABIAN ACRES METROPOLITAN DISTRICT HELD NOVEMBER 19, 2014

A special meeting of the Board of Directors of the Arabian Acres Metropolitan District (the "Board") was duly held on Wednesday, November 19, 2014, at 6:00 p.m., at the Shining Mountain Golf Club, Community Room, Lower Level, 100 Shining Mountain Lane, 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.

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 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.

ADMINISTRATIVE MATTERS

Agenda: Director Coffman reviewed the proposed Agenda for the District's special Board Meeting.

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

Minutes: The Board reviewed the Minutes of the October 15, 2014 Special Meeting and the November 5, 2014 Special Meeting.

Following discussion, upon motion duly made by Director Seaman, seconded by Director Winterer and, upon vote, unanimously carried, the Minutes of the October 15, 2014 Special Meeting and the November 5, 2014 Special Meeting, were approved.

2015 Meeting Dates: The Board deferred discussion.

Special District Management Services, Inc. Office Site Tour: Director Coffman and Director Winterer discussed with the Board their tour and understanding of Special District Management Services, Inc. operations and options for cost savings.

PUBLIC COMMENTS

Comments and Questions:

- Ms. Williams noted that there is no dollar amounts in budget for recall.
- Mr. Sowa addressed the Board with questions about:
The proposal for management from CH2O.
Why does Westwood Lakes do their own budget etc...
Lots of recall election dialog – Would the Directors resign to save the District money???
- Ms. Callan addressed the Board regarding the costs of Special District Management Services, Inc. and Collins Cockrel & Cole, P. C.
- Ms. Gulla addressed the Board and noted her shock that the District even hired Special District Management Services, Inc. and Collins Cockrel & Cole, P. C. due to cost concerns.
- Mr. Nealy addressed the Board with questions about:
What services does Special District Management Services, Inc. provide?
How many lawsuits have been brought?
What are the long term solutions?

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- Ms. Hansen addressed the Board with questions about:
 - What unit of measurer/energy draw would be needed to provide alternate energy ie. solar/wind etc.. for the wells/control buildings.
 - Options for leak detection?
 - She recommends keeping Special District Management Services, Inc. and Collins Cockrel & Cole, P. C. since much positive momentum has been made.
 - Loan options vs. future lawsuits?
- Mr. Gulla addressed the Board and asked them to remember that they each serve their community. He noted his concern that the District cannot afford Special District Management Services, Inc. He also told the Board that "if you can't do your job, please step down".

Correspondence:

Director Coffman asked Mr. Italiano to contact Ms. Barta directly regarding her concerns about rates and excavation work at her lot last winter.

OPERATOR'S REPORT

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

The Board reviewed the proposal (#14-310SQ01) from Browns Hill Engineering & Controls to upgrade the existing scada system with a Mission Unit M800 and Water Pilot.

Following discussion, upon motion duly made by Director Holder, seconded by Director Winterer and, upon vote, unanimously carried, the Board approved the proposal from Browns Hill Engineering & Controls (job #14-310SQ01) in an amount not to exceed \$7,973.00.

FINANCIAL MATTERS

Claims: The Board considered approval of payment of claims through the period ending November 19, 2014, totaling \$23,160.42.

Following discussion, upon motion duly made by Director Winterer, seconded by Director Coffman 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 November 19, 2014, totaling \$23,160.42.

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Cash Position Statement: Mr. Italiano distributed cash position statement as of November 13, 2014 for the Board's review.

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

Policy Regarding Payment Plans: The Board discussed the request from the District Manager to authorize approval of a policy directing the District Manager to require all payment plans for delinquent accounts to be based upon a maximum 3-6 month timeframe; with no reset of payment plan for failure to remain on the plan. Failure to make a required payment will result in the District shutting off water service after providing notice.

Following discussion, upon motion duly made by Director Coffman, seconded by Director Hoel and, upon vote, unanimously carried, the Board approved the the policy directing the District Manager to require all payment plans for delinquent accounts to be based upon a maximum 3-6 month timeframe; with no reset of payment plan for failure to remain on the plan.

CERTIFICATION OF DELINQUENT ACCOUNTS

Delinquent Accounts: The Board opened the Public Hearing to discuss delinquent accounts and considered adopting a Resolution certifying delinquent rates/fees and charges to Teller County Treasurer for collection with property taxes collected in 2015. Notice of the Board's consideration of such Resolution was previously provided to all affected parties, including the affected property owner or owners by either regular or certified mail, return receipt requested.

One member of the public appeared and addressed the Board asking for their consideration to remove his name from the resolution based upon partial payment at the meeting and agreement to a payment plan not to exceed 6 months. No further public comments were received and the public hearing was closed.

Following discussion, upon motion duly made by Director Winterer, seconded by Director Hoel and, upon vote, unanimously carried, the Board revised and adopted the Resolution certifying delinquent rates/fees and charges to the Teller County Treasurer for collection with property taxes collected in 2015.

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2015 FEES/RATES/ TOLLS/PENALTIES /CHARGES

2015 Fees/Rates/Tolls/Penalties/Charges for Water Services: The Board reviewed and discussed the Resolution Adopting an Amended Schedule of Rates, Fees, Penalties and Charges.

Director Seaman noted that she opposes to the new schedule of rates, fees, penalties and charges but could live with \$6 a month flat rate increase and no increased usage fee.

Director Hoel noted that he understands the rates are high but Arabian Acres Metropolitan District needs the revenue to move ahead.

Director Winterer noted the new rates will represent only \$10.00 a month extra per average user.

Director Holder noted that he opposes due to relation to budget which is not yet approved.

Following discussion, upon motion duly made by Director Winterer, seconded by Director Hoel and, upon vote, passed with Directors Winterer, Coffman, Hoel, voting "YES" and Directors Seaman and Holder voting "NO", the Board adopted the Resolution Adopting an Amended Schedule of Rates, Fees, Penalties and Charges for 2015.

2014 BUDGET AMENDMENT

2014 Budget Amendment Hearing: The President opened the public hearing to consider the Resolution to Amend the 2014 Budget and discuss related issues.

It was noted that publication of Notice stating that the Board would consider adoption of a Resolution to Amend the 2014 Budget and the date, time and place of the public hearing was made in a newspaper having general circulation within the District.

Public Comment:

- How much revenue will new fees generate?
- How could the Budget show a negative if the checking account balance shows a balance?
- Don't Budgets have to balance?
- Need to look at many consultant options.

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There were no further comments from the public in attendance and the public hearing was closed.

Following review and discussion, Director Winterer moved to adopt the Resolution to Amend 2014 Budget, Director Hoel seconded the motion and, upon vote, unanimously carried, the Board adopted the Resolution to Amend the 2014 Budget. A copy of the adopted Resolution is attached hereto and incorporated herein by this reference.

2015 BUDGET

2015 Budget Hearing: The President opened the public hearing to consider the proposed 2015 Budget and discuss related issues.

It was noted that publication of a Notice stating that the Board would consider adoption of the 2015 Budget and the date, time and place of the public hearing was made in a newspaper having general circulation within the District. No written objections were received prior to this public hearing.

Mr. Italiano reviewed the estimated 2014 expenditures and the proposed 2015 expenditures.

Public Comment:

- Wind/solar could be a cost savings and should be explored to save electrical costs.
- Why approve a budget prior to finding a reduced cost Management Company?
- Why can't Special District Management Services, Inc. lower their costs?
- Will the new Special District Management Services, Inc. billing software be transferred to future management companies?
- Can we sell water if we have a surplus?
- Has Terry Malcom been caught?
- Will the residents ever stop paying the \$160.00 a month fees?
- This budget looks good and has enough contingency to protect us in bad times.

Director Holder discussed proposed changes to the 2015 Budget:

- Add \$10,000 for election costs.
- Reduce Special District Managements Services, Inc. to \$37,200.
- Reduce Collins Cockrel & Cole, P. C. to \$15,000.
- Add balance of reduced expenses to Capital.

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No further public comments were received and the public hearing was closed.

Following discussion, Director Holder moved to adopt the 2015 Budget with above noted revisions, Director Seaman seconded the motion and, upon vote with Directors Holder and Seaman voting "YES" and Directors Winterer, Coffman and Hoel voting "NO", the motion failed.

Following discussion, the Board considered the adoption of the Resolutions to Adopt the 2015 Budget and Appropriate Sums of Money and Set Mill Levies for the Debt Service Fund at 24.000 mills, for a total mill levy of 24.000 mills. Upon motion duly made by Director Winterer, seconded by Director Hoel and, upon vote, passed with Directors Winterer, Coffman, Hoel, voting "YES" and Directors Seaman and Holder voting "NO", the Resolutions were adopted, as discussed, and execution of the Certification of Budget and Certification of Mill Levies were authorized, subject to receipt of final Certification of Assessed Valuation from the County and final review by Counsel. Mr. Italiano was authorized to transmit the Certification of Mill Levies to the Board of County Commissioners of Teller County and the Division of Local Government, not later than December 15, 2014. Mr. Italiano was also authorized to transmit the Certification of Budget to the Division of Local Government not later than January 30, 2015. Copies of the adopted Resolutions are attached to these Minutes and incorporated herein by this reference.

LEGAL MATTERS

Request for Proposal: Director Winterer discussed with the Board a Request For Proposal Document that he drafted in order to solicit "Apples & Apples" bids from highly competent management companies.

Following discussion, it was agreed that the Board, Mr. Italiano and Attorney Fritsche would review Director Winterer's RFP and defer action to the December 17, 2014 meeting. Director Holder motioned to bring the RFP back to the December meeting for action. Director Seaman seconded the motion and, upon vote, unanimously carried.

EXECUTIVE SESSION

EXECUTIVE SESSION: Pursuant to Section 24-6-402(4)(b) of the Colorado Revised Statutes, upon motion duly made by Director Holder, seconded by Director Winterer and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 9:46 p.m. for the purpose of receiving legal advice and instructing negotiators on matters related to the Rupp Family Partnership Note.

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Furthermore, pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S., no minutes 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 10:03 p.m.

ADJOURNMENT

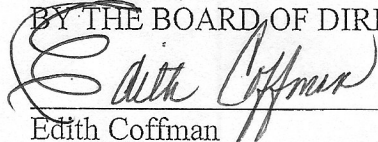
There being no further business to come before the Board at this time, upon motion duly made by Director Winterer, seconded by Director Holder and, upon vote, unanimously carried, the meeting was adjourned at 10:04 p.m.

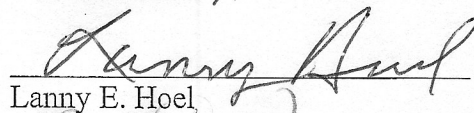
Respectfully submitted,

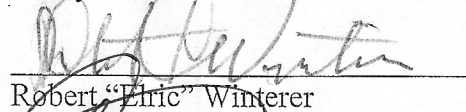
By 

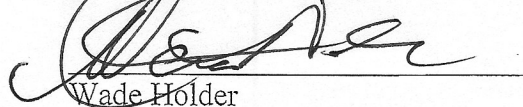
Secretary for the Meeting

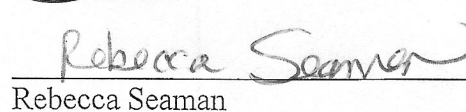
THESE MINUTES ARE APPROVED AS THE OFFICIAL NOVEMBER 19, 2014 MINUTES OF THE ARABIAN ACRES METROPOLITAN DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:


Edith Coffman


Lanny E. Hoel


Robert "Eric" Winterer


Wade Holder


Rebecca Seaman

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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 9:46 p.m. on November 19, 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: _____