

RECORD OF PROCEEDINGS

MINUTES OF THE SPECIAL MEETING OF

WATERFALL METROPOLITAN DISTRICT NO. 1
WATERFALL METROPOLITAN DISTRICT NO. 2

HELD
December 9, 2009

The Coordinated Special Meeting of the Boards of Directors (collectively, "Board") of the Waterfall Metropolitan District No. 1 and Waterfall Metropolitan District No. 2 was held at the offices of the Pinnacle Consulting Group Inc., 5110 Granite Street, Suite C, Fort Collins, Colorado, 80538 on December 9, 2009, at 2:30 pm.

ATTENDANCE

Directors in Attendance Were:

Kirk A. Dando (via phone)
James A. Martell (via phone)

Directors Absent and Excused Were:

Larry S. Buckendorf

Also in Attendance Were:

Alan Pogue, Icenogle, Norton, Smith, Blieszner, Gilida & Pogue, P.C.
Mike Bergerson, OCR
Teresa Adler, Pinnacle Consulting Group Inc.
Carla Hawkins, Pinnacle Consulting Group Inc.

CALL TO ORDER

The meeting was called to order at 2:32 pm by Director Dando as Chairman, noting that a quorum was present. The Directors confirmed their qualifications to serve on the Boards.

COMBINED MEETINGS

The Districts are meeting in a combined board meeting. Unless otherwise noted, the matters set forth below shall be deemed to be the actions of the Waterfall Metropolitan District No. 1, with concurrence by the Waterfall Metropolitan District No. 2.

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MEETING NOTICE

Ms. Carla Hawkins reported that Notice of the Meetings had been properly posted within each District's boundaries, and that Notice was sent to the Larimer County Clerk and Recorder for posting. The notice also included agenda items.

CONFLICT OF INTEREST DISCLOSURE

Mr. Pogue, legal counsel, noted that notices of potential conflicts of interest for all Board Members were filed with the Colorado Secretary of State's Office, disclosing potential conflicts. Mr. Pogue advised the Board that pursuant to Colorado law, certain disclosures by the Board Members might be required prior to taking official action at a meeting. The Board reviewed the agenda for the meeting, following which each Board Member present confirmed the contents of the written disclosures previously made stating the fact and summary nature of any matters as required under Colorado law to permit official action to be taken at the meeting. Additionally, the Board determined that the participation of the members present was necessary to obtain a quorum or otherwise enable the Board to act. Director Martell also disclosed that he was legal counsel for the Boyd Lake Village Owners Association.

APPROVAL OF AGENDA

The Board reviewed the agenda and approved the agenda with changes.

APPROVAL OF MINUTES

The minutes of the September 8, 2009 Special Meeting were presented and reviewed. Upon motion duly made by Director Martell and seconded by Director Dando, it was unanimously

RESOLVED to approve the Minutes of the September 8, 2009 Special Meeting, as presented.

APPROVAL OF PAYABLES

Ms. Hawkins presented the Schedule of Payables as of December 7, 2009 totaling \$9,497.24 for October through November 2009; she also noted that she had just received two additional invoices 1) Bath Nursery \$1015.84 and 2) Kutak Rock \$2500. With these two invoices added the total amount is \$13,013.08. Upon motion duly made by Director Dando and seconded by Director Martell, it was unanimously

RESOLVED to approve the Schedule of Payable as noted above.

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2009 AUDIT & AUDIT EXEMPTION

Ms. Hawkins reported that District Nos. 1 is required to have an audit completed for 2009. District No. 2 qualifies for a 2009 audit exemption. Each will need to be prepared and filed with the State Auditor. Upon motion duly made by Director Dando, seconded by Director Martell, it was unanimously

RESOLVED to authorize Pinnacle Consulting Group to prepare the 2009 audit exemption for District No. 2 and to solicit proposals and proceed with the 2009 Audit for District No. 1.

2010 BUDGET PREPARATION

Upon motion duly made by Director Martell and seconded by Director Dando, it was unanimously

RESOLVED to ratify the appointment of Pinnacle Consulting Group Inc. to prepare the 2010 Budgets for District Nos. 1 & 2.

2010 BUDGET HEARING & ADOPTION OF RESOLUTIONS

Director Dando opened the 2010 Budget Hearing to the public. Mr. Pogue reported that notice of the hearing had been published in accordance with state budget law. Mr. Bergeson commented that he would prefer the Board chose not to establish a mill levy in 2010 and it they may wish to request reimbursement for their public infrastructure that had been constructed in 2009. After further general discussion regarding landscape costs and a reserve amount, the public hearing portion of the budget was closed. Ms. Adler reviewed the budget and answered questions pertaining to the mill levy scenarios, estimated revenues and expenditures, and operation and maintenance assessments to finance the district. The board discussed certifying a zero (0) mill levy and increasing the landscape expense to \$31,100 and adding an addition \$2,000 as a reserve amount. With that the board considered the following:

District No. 1
Mill levy is 0.00 mills.
General Fund Expenditures: \$83,327

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Funded by Operation and Maintenance Assessments.

Capital Fund Expenditures: \$5,001,400

District No. 2

Mill levy is 0.00 mills.

General Fund Expenditures: \$0

After further review and discussion, and upon motion duly made by Director Dando and seconded by Director Martell, it was unanimously

RESOLVED, for each District, to approve the Resolutions to Adopt the 2010 Budget and Appropriate budgeted funds with final certification of values received from the County, and approve all other documents related to the 2010 budget including certifying a zero (0) mill levy. The District Manager is authorized to make minor modifications that may be necessary with receipt of final assessed values.

2010 WORKERS COMPENSATION EXCLUSION

Ms. Hawkins noted that the Division of Local Government requires that Board members approve a Resolution to Exclude from Worker's Compensation should the Board elect not to carry worker's compensation insurance. Upon motion duly made by Director Dando, seconded by Director Martell, it was unanimously

RESOLVED to approve the Resolution to Exclude Worker's Compensation Insurance.

SNOW REMOVAL CONTRACT

Ms. Hawkins presented the contract between Waterfall Metropolitan District No. 1 and Mill Brothers Landscaping and Nursery for snow removal services. Upon motion duly made by Director Dando, seconded by Director Martell, it was unanimously

RESOLVED to ratify the snow removal contract with Mill Brothers Landscape and Nursery.

The Board also requested Pinnacle to contact Mill Brothers and a job well done for snow services during the past two snow storms.

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ANNUAL ADMIN RESOLUTION

Mr. Pogue presented the 2010 Annual Administrative Matters Resolution; noting that it outlines the operations of the Board, directs District's legal counsel and consultants in their administration of the District and directs them to make all necessary filings. Upon motion duly made by Director Martell and seconded by Director Dando, it was unanimously

RESOLVED to approve the 2001 Annual Administrative Resolution; reaffirm the current slate of officers; appoint Icenogle, Norton, Smith, Blieszner, Gilida & Pogue, P.C. legal counsel, and appoint Pinnacle Consulting Group Inc., district manager, accountant and administrator.

RECORDS RETENTION RESOLUTION

The Board considered approval of the Records Retention Resolution. Upon motion duly made by Director Martell and seconded by Director Dando, upon vote, unanimously

RESOLVED to adopt the Records Retention Resolution.

2010 ELECTION RESOLUTION

The Board considered approval of the 2010 Election Resolution. Upon motion duly made by Director Martell and seconded by Director Dando, upon vote, unanimously

RESOLVED to adopt the 2010 Election Resolution.

FUNDING & REIMBURSEMENT AGREEMENT O & M

Ms. Hawkins asked Mr. Dando if he was aware of any outstanding invoices from the development company for operation and maintenance expenses prior to the District taking on expenses in 2009. He mentioned that he was not aware of any. Therefore, there is no need for a funding and reimbursement agreement the O & M costs.

FUNDING & REIMBURSEMENT AGREEMENT

Mr. Pogue reported that Pinnacle had completed the final review of capital costs as discussed at the September 8, 2009 meeting and have determined the total reimbursement is \$3,677,320. He asked the board to ratify and

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affirm an Amended and Restated Improvement Acquisition Agreement between the District and Boyd Lake Village, LLC, the Resolution Approving the Advance and Reimbursement Agreement and Issuance of a Subordinate Promissory Note and accepting the Opinion of bond counsel. Upon motion duly made by Director Martell and seconded by Director Dando, it was unanimously

RESOLVED to approve the Opinion Letter from Bond Counsel and ratify and affirm the Amended and Issuance of a Subordinate Promissory Notes for the advancement and reimbursement of Capital Costs by Boyd Lake Village, LLC, of \$3,677,320.

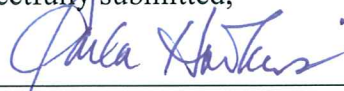
PUBLIC COMMENT

The Board opened the meeting to further public comments. A question was raised regarding board member qualifications. Mr. Pogue noted that to run for the Board of Directors one must be an eligible elector of the district. An eligible elector means a person who, at the designated time or event, is registered to vote pursuant to the "Uniform Election Code of 1992", articles 1 to 13 of title 1, C.R.S., and 1) who has been a resident of the special district or the area to be included in the special district for not less than 30 days; or 2) Who, or whose spouse, owns taxable real or personal property situated within the boundaries of the special district or the area to be included in the special district shall be considered an owner. Notice by publication calls for nominations not less than 75 days nor more than ninety days before a regular special district election. For the 2010 Election on May 4, 2010, the call for nominations will be published no later than February 18, 2010. Interested candidates must file self nomination and acceptance forms with the district prior to February 26, 2010. Upon receiving no further comments, this portion of the meeting was closed.

ADJOURNMENT

There being no further business to come before the Board at this time, the meeting was adjourned at 3:15 pm.

Respectfully submitted,



Carla Hawkins
Secretary for the Meeting