

RECORD OF PROCEEDINGS

MINUTES OF THE COORDINATED SPECIAL MEETING OF

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

HELD

December 4, 2008

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 4, 2008, at 11:00 am.

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. (via phone)
Steve Hanson, Pinnacle Consulting Group Inc.
Teresa Adler, Pinnacle Consulting Group Inc.
Carla Hawkins, Pinnacle Consulting Group Inc.

CALL TO ORDER

The meeting was called to order at 11:00 am 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 indicated that appropriate forms of disclosure had previously been sent to and completed by each of the Directors, and completed written forms of disclosure had been filed with the Secretary of State's office at least 72 hours in advance of the meeting as required by statute.

APPROVAL
OF AGENDA

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

APPROVAL OF
MINUTES

The minutes of the June 26, 2008 Organizational 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 June 26, 2008 Organizational Meeting, as presented.

APPROVAL OF
PAYABLES

Ms. Hawkins presented the Schedule of Payables as of December 4, 2008 totaling \$11,140.91 for August through November 2008. The Board decided to table approval pending review by Director Dando.

Ms. Hawkins presented the Financial Statements dated October 31, 2008.

2008 AUDIT
EXEMPTIONS

Ms. Hawkins reported that District Nos. 1 & 2 each qualify for 2008 audit exemptions and 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 2008 audit exemptions for District Nos. 1 & 2.

2008 &
2009 BUDGET
PREPARATION

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

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RESOLVED to ratify the appointment of Pinnacle Consulting Group Inc. to prepare the 2008 and 2009 Budgets for District Nos. 1 & 2.

2008
BUDGET
HEARING
& ADOPTION OF
RESOLUTIONS

Director Martell opened the 2008 Budget Hearing to the public. Mr. Pogue reported that notice of the hearing had been published in accordance with state budget law. There being no public input, the public hearing portion of the budget was closed. Ms. Hawkins reviewed the budget in detail and answered questions. The 2008 Budget is as follows:

District No. 1:
Mill levy is 0.00 mills.
Funded by Operation and Maintenance Assessments.
General Fund Expenditures: \$48,870
Capital Fund Expenditures: \$0

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 Martell and seconded by Director Dando, it was unanimously

RESOLVED, for each District, to approve the Resolutions to Adopt the 2008 Budget and Appropriate budgeted funds.

2009
BUDGET
HEARING
& ADOPTION OF
RESOLUTIONS

Director Martell opened the 2009 Budget Hearing to the public. Mr. Pogue reported that notice of the hearing had been published in accordance with state budget law. There being no public input, the public hearing portion of the budget was closed. Ms. Hawkins reviewed the budget in detail and answered questions pertaining to the mill levy, estimated revenues and expenditures, and operation and maintenance assessments to finance the district.

District No. 1
Mill levy is 0.00 mills.
General Fund Expenditures: \$83,567

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Funded by Operation and Maintenance Assessments.
Capital Fund Expenditures: \$5,076,925

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 Martell and seconded by Director Dando, it was unanimously

RESOLVED, for each District, to approve the Resolutions to Adopt the 2009 Budget and Appropriate budgeted funds upon final certification of value being received from the County on or before December 10, 2008, and approve all other documents related to the 2009 budget. The District Manager is authorized to make minor modifications that may be necessary following receipt of final assessed values.

2009 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.

WATERING CONTRACT

Ms. Hawkins presented the contract between Waterfall Metropolitan District No. 1 and Belmire for winter tree watering. Upon motion duly made by Director Dando, seconded by Director Martell, it was unanimously

RESOLVED to approve the winter tree watering contract with Belmire Landscaping & Maintenance.

ANNUAL ADMIN RESOLUTION

Mr. Pogue presented the 2009 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 2009 Annual Administrative Resolution; reaffirm the current slate of officers; appoint Icenogle, Norton, Smith, Blieszner,

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Gilida & Pogue, P.C. legal counsel, and appoint Pinnacle Consulting Group Inc., district manager, accountant and administrator.

IDENTITY THEFT PREVENTION

The Board considered approval of the Identify Theft Prevention Resolution. Following discussion, upon motion duly made by Director Martell and seconded by Director Dando, upon vote, unanimously

RESOLVED to adopt the Identity Theft Prevention Policy Resolution and to appoint Pinnacle Consulting Group Inc., as the FACT Act Officer.

FUNDING & REIMBURSEMENT AGREEMENT

Mr. Pogue requested the Board consider a Funding and Reimbursement Agreement with District No. 2 and Boyd Lake Village East, LLC. As there is no activity within the District, the Board directed Mr. Pogue to draft a Joint Operating Resolution for District No. 2.

DEVELOPMENT UPDATES

Director Dando mentioned that there still remains a good bit of activity of interested parties. OCR has applied for a building permit with the City of Loveland. Mr. Hanson noted that Pinnacle had reviewed copies of invoices and proof of payment documentation and had \$3.3 million in capital costs to-date.

PUBLIC COMMENT

The Board opened the meeting to Public Comments. Upon receiving no comments, this portion of the meeting was closed.

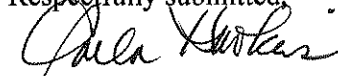
NEXT MEETING

The Board discussed continuing the meetings to adopt the Joint Operating Resolution and to consider an Agreement whereby the District will be appointed to take on all responsibilities as outlined in the Boyd Lake Village Owners Association. The meeting was continued until December 18, 2008 at 10:00 am at the offices of Pinnacle Consulting Group Inc.

ADJOURNMENT

There being no further business to come before the Board at this time, the meeting was adjourned at 11:55 am.

Respectfully submitted,



Carla Hawkins
Secretary for the Meeting