

RECORD OF PROCEEDINGS

MINUTES OF THE SPECIAL MEETING OF WATERFALL METROPOLITAN DISTRICT NOS. 1 & 2

HELD
May 20, 2010

The Special Meeting of the Board of Directors 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, , Loveland, Colorado 80538 on May 20, 2010, at 10:00 am.

ATTENDANCE

Directors in Attendance Were:

Kirk A. Dando

Also in Attendance Were:

Alan Pogue, Icenogle, Norton, Smith, Gilida & Pogue, P.C.

Mike Bergerson, OCR

Larry D. Wood, First National Bank

James E. Ringenberg, Ringenberg, Funk & Beller, P.C.

Carla Hawkins, Pinnacle Consulting Group Inc.

Peggy Dowswell, Pinnacle Consulting Group Inc. (left meeting at 10:40 am)

CALL TO ORDER

The meeting was called to order at 10:03 am by District Manager, Carla Hawkins, noting that a quorum was present. The Directors confirmed their qualifications to serve on the Boards.

MEETING NOTICE

Ms. 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 and City of Loveland 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 Mr. Wood and Mr. Ringenberg were filed by Karen Samuels Jones, attorney and Directors Bergerson and Dando were filed by Mr. Pogue's office all of which 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

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Members 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.

APPROVAL OF AGENDA

Director Dando reviewed the agenda and approved the agenda without changes.

BOARD MEMBER APPOINTMENT

There are four vacancies to be filled on the Boards. Mike Bergerson, Larry Wood and James Ringenberg have each agreed to serve and are qualified to serve on the Boards. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the appointment of Larry Wood and Mike Bergerson to serve on the Board of District No. 1 to fill the term expiring in May 2012, and to appoint James Ringenberg to serve on the Board of District No. 1 to fill the term expiring in May 2014.

ALSO RESOLVED to approve the appointment of Larry Wood to serve on the Board of District No. 2 to fill the term expiring in May 2012, and to appoint James Ringenberg to serve on the Board of District No. 2 to fill the term expiring in May 2014.

OATHS OF OFFICE & ELECTION OF OFFICERS

Directors Bergerson and Wood took their Oaths of Office for District No.1. Each of their terms will expire May 2012. Director Ringenberg took his Oath of Office for District No. 1. His term will expire May 2014. The Oaths will be properly filed with Larimer County District Court and Colorado Division of Local Government.

Director Wood took his Oath of Office for District No.2. His term will expire May 2012. Director Ringenberg took his Oath of Office for District No. 2. His term will expire May 2014. The Oaths will be properly filed with Larimer County District Court and Colorado Division of Local Government.

The Board turned to the issue of electing Officers for the Districts. Upon motion duly made by Director Wood, seconded by Director Bergerson and unanimously carried, the Officers were elected for District No. 1 as follows:

President & Chairman
Vice President & Asst. Secretary
Treasurer & Secretary

Larry Wood
Mike Bergerson
James Ringenberg

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Upon motion duly made by Director Ringenberg, seconded by Director Wood and unanimously carried, the Officers were elected for District No. 2 as follows:

President & Chairman	Larry Wood
Vice President & Asst. Secretary	None
Treasurer & Secretary	James Ringenberg

APPROVAL OF MINUTES

The minutes of the December 9, 2009, March 16, 2010, and March 24, 2010 Special Meetings were presented and reviewed. Upon motion duly made and seconded by Director Dando, it was unanimously

RESOLVED to approve the Minutes listed above, as presented.

The minutes of the April 6, 2010 Special Meeting were presented and reviewed. Upon motion duly made by Director Wood and seconded by Director Ringenberg, it was unanimously

RESOLVED to approve the April 6, 2010 Minutes, as presented.

APPROVAL OF PAYABLES AND FINANCIAL REPORT

Ms. Hawkins presented the Schedule of Payables as of May 11, 2010 totaling \$21,495.43 for March through April 2010. Upon motion duly made by Director Bergerson and seconded by Director Wood, it was unanimously

RESOLVED to approve the Schedule of Payable as noted above.

Ms. Dowswell presented the revenues and expenditures statement as of March 31, 2010 and explained the format which outlines the general fund as well as the capital project funds.

2009 AUDIT & AUDIT EXTENSION

Ms. Dowswell presented audit proposals. The two companies are comparable in cost. Upon motion duly made by Director Bergerson, seconded by Director Ringenberg, it was unanimously

RESOLVED to authorize John Cutler and Associates to prepare the 2009 audit for District No. 1 and due to timing to complete the field work and file the audit by the statutory deadline, Pinnacle is directed to file an extension on behalf of District No. 1. The Board also directed legal counsel and

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accounting staff to review the audit for submitting to the Board for final review before the audit is filed with the State Auditor's office.

Director Ringenberg suggested that Pinnacle and Mr. Pogue only provide necessary services that are vital to keeping the District viable and compliant. Both Mr. Pogue and Ms. Hawkins agreed that this was the most cost effective way to manage the District.

MANAGER UPDATES

Ms. Hawkins presented three proposals for 2010 landscaping services. Upon motion duly made by Director Wood, seconded by Director Bergerson, it was unanimously

RESOLVED to contract with Mill Brothers for the 2010 landscaping season.

LEGAL UPDATES

Consideration and Approval of Confirmation of Assignment of Reimbursement Agreement and Promissory Note from Boyd Lake Village, LLC to First National Bank

Mr. Pogue noted that First National Bank had been the successful bidder at the foreclosure sale. Ms. Karen Samuels Jones drafted language to assign the reimbursement and promissory note from Boyd Lake Village, LLC to First National Bank. Legal Counsel, Mr. Pogue, stated he reviewed and approved the documentation and recommends the Board approve this confirmation and assignment. After discussion and upon motion duly made by Director Ringenberg and seconded by Director Bergerson, with Director Wood abstention, it was

RESOLVED to approve the Resolution to Consent to the Assignment of the Reimbursement Agreement and Promissory Note in the stated amount of \$3,677,320 to First National Bank.

Review and Consider Promissory Note for Reimbursement for 15th Street Streetscape

The District has received additional documentation for the landscaping public improvement expenses from Orthopaedic Center of the Rockies, PC. Mr. Pogue requested that the Board consider a Resolution Approving the Reimbursement Agreement and Issuance of a Subordinate Promissory Note for the reimbursement of Capital Costs by Orthopaedic Center of the Rockies, P.C. \$12,904 and to accept perpetual maintenance of this improvement. After discussion and upon motion duly made by Director Ringenberg and seconded by Director Wood, with Director Bergerson abstention, it was

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RESOLVED to approve the Resolution and Bill of Sale to Accept the Streetscape Improvement from JMC and obligate the District to future dollars to pay JMC the cost of construction verified in the amount of \$12,904 once final proof of payment is received by the District. This in no way sets a precedent to create any future obligations for streetscape improvements reimbursements. Whether not to issue a Promissory Note will be up to JMC legal counsel, Mr. Hasler.

PUBLIC COMMENT

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

RESIGNATION

Just prior to the end of the meeting, Director Dando stated he appreciated all the efforts of Pinnacle team and Alan Pogue in managing the Districts. Ms. Hawkins and Mr. Pogue each expressed that it was a pleasure working with Director Dando. At this point in the meeting, Director Dando submitted his resignation from the Board.

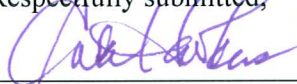
NEXT MEETING

The Board decided to meet on an as needed basis in the future.

ADJOURNMENT

There being no further business to come before the Board at this time the meeting was adjourned at 11:09 am.

Respectfully submitted,



Carla Hawkins
Secretary for the Meeting