
RECORD OF PROCEEDINGS

**Minutes of the Joint Meeting
of the Boards of Directors of
Headwaters Metropolitan District,
Granby Ranch Metropolitan District, SolVista Metropolitan District, and
Granby Ranch Metropolitan District Nos. 2-8
May 25, 2010**

A Joint Meeting of the Boards of Directors of the Headwaters, Granby Ranch, SolVista, and Granby Ranch Metropolitan District Nos. 2-8, Grand County, Colorado, was held at the Grange Hall at Granby Ranch, 998 Village Road, Town of Granby, Grand County, Colorado, in accordance with State law.

Attendance

The following Directors were present and acting:

- Headwaters and Granby Ranch Nos. 2-8 Metropolitan Districts
 - Kyle Harris
 - Julie Krueger
 - Marylane Packer
 - Lance Badger
- Granby Ranch Metropolitan District
 - Kyle Harris
 - Julie Krueger
 - Natascha O’Flaherty
 - Lance Badger
 - Sandra Clinger
- Sol Vista Metropolitan District
 - Kyle Harris
 - Julie Krueger
 - Anna Conrad (via telephone)
 - Lance Badger

Also in attendance were:

- Clint Waldron, White, Bear & Ankele, P.C. (via telephone)
- Gary White, White, Bear & Ankele, P.C.
- Eric Weaver, Robertson & Marchetti, P.C., Secretary for the Meeting
- Ken Marchetti, Robertson & Marchetti, P.C.
- Neil Herzog, homeowner
- Steve Conrad, homeowner
- Barton Phillips, homeowner
- Erin O’Rourke, Granby Realty Holdings
- Robert Cox, Granby Realty Holdings
- Marise Cipriani, Granby Realty Holdings
- Melissa Cipriani, Granby Realty Holdings
- Michael Gilliland, Granby Realty Holdings (via telephone)
- Celso Cipriani

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Call to Order and Declaration of Quorum

The Joint Meeting of the Boards of Directors of the Headwaters Metropolitan District (HWMD), Granby Ranch Metropolitan District (GRMD), SolVista Metropolitan District (SVMD), and Granby Ranch Metropolitan District Nos. 2-8 (GRMD #2-8) was called to order by Director Harris on May 25, 2010 at 10:00 a.m. noting a quorum was present for each of the respective Boards.

Disclosure of Potential Conflicts of Interest

Mr. White explained the process and purpose for disclosing potential conflicts of interest. The directors reviewed the agenda for the meeting, following which each director confirmed the contents of any written disclosure previously made, and stated the fact and summary nature of any matters as required under Colorado law to permit official action to be taken at the meeting. The Boards noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts. Additionally, the Boards determined that participation by directors with potential conflicts of interest was necessary to obtain a quorum or otherwise enable lawful action to occur. Mr. White requested that any new Board member who had not yet filed a conflict of interest statement abstain from voting on any matters that could be construed as a conflict of interest. Director Clinger stated that she is a homeowner within GRMD and Director O'Flaherty stated that she was also a homeowner in GRMD and that she has filed a motion to intervene against GRMD.

Public Input

Director Conrad asked some financial questions which were briefly answered by Mr. Marchetti but which were to be more fully covered during agenda items later in the meeting.

Consideration of Agenda

The following changes were made to the agenda:

- Mr. White requested that the appointment of a Director for the SVMD Board, Oaths of Office, and Election of Officers be moved to the top of the agenda.
- Mr. White also requested an agenda item after the election of officers for GRMD to discuss and hold an executive session to address the motion to intervene filed against GRMD by Director O'Flaherty.

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- Director Harris requested an agenda item for HWMD to address the Village Homes bankruptcy.
- Director O'Flaherty requested an agenda item under legal for GRMD to consider hiring separate legal counsel for the District.

Board Member Appointment

Director Harris noted that a vacancy existed on the SVMD Board. Neil Herzog, who is a homeowner within the SVMD and is eligible to be on the Board, had expressed interest in the position. Upon motion duly made and seconded, it was unanimously

RESOLVED by the SVMD Board to appoint Neil Herzog to the SVMD Board for a four year term ending May of 2014, standing for reelection in May of 2012.

Oaths of Office

With the exception of Mr. Herzog, all newly elected Board members confirmed that they had previously taken their oaths of office. Director Harris administered the oath of office to Mr. Herzog. Mr. Herzog disclosed that he is a Board member of the Silver Creek Master Homeowners Association and the Kicking Horse Lodges Homeowners Association.

Election of Officers After discussion and upon motion duly made and seconded, it was unanimously

RESOLVED by the GRMD Board to elect directors to the following positions:

- Director Harris- President
- Director Krueger- Vice President/Secretary/Treasurer
- Director Clinger- Vice President/Assistant Secretary/Treasurer
- Director O'Flaherty- Vice President/Assistant Secretary/Treasurer
- Director Badger- Vice President/Assistant Secretary/Treasurer

After discussion and upon motion duly made and seconded, it was unanimously

RESOLVED by the SVMD Board to elect directors to the following positions:

- Director Harris- President
- Director Krueger- Vice President/Secretary/Treasurer
- Director Conrad- Vice President/Assistant Secretary/Treasurer

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- Director Herzog- Vice President/Assistant Secretary/Treasurer
- Director Badger- Vice President/Assistant Secretary/Treasurer

After discussion and upon motion duly made and seconded, it was unanimously

RESOLVED by the HWMD and GRMD Nos. 2-8 Boards to elect directors to the following positions:

- Director Harris- President
- Director Packer- Vice President/Secretary/Treasurer
- Director Badger- Vice President/Assistant Secretary/Treasurer
- Director Krueger- Vice President/Assistant Secretary/Treasurer
- Vacancy- Vice President/Assistant Secretary/Treasurer

Motion To Intervene

Mr. White reminded the group that at the April 21, 2010 joint meeting a public hearing related to the exclusion of land from GRMD was held and the related agreement was approved by the GRMD Board. The exclusion was then recorded prior to the May 1, 2010 deadline. Last week the District was notified that Director O'Flaherty had filed a motion to intervene in the exclusion.

Mr. White recommended that the GRMD Board go into executive session to receive advice from legal counsel. Director O'Flaherty, due to her conflict of interest, stated that she would not participate in the executive session.

At 10:45 am, upon motion duly made and seconded, with abstention by Director O'Flaherty, it was

RESOLVED by the GRMD Board to enter into executive session pursuant to §24-6-402(4)(b), C.R.S., conference with an attorney for the purpose of receiving legal advice related to the motion to intervene filed by Director O'Flaherty, and pursuant to §24-6-402(4)(e), C.R.S., for the purpose of discussing positions relative to matters that may be subject to negotiations, developing strategy for negotiations, and instructing negotiators related to the motion to intervene..

At 11:30 am, upon motion duly made and seconded by the directors in attendance at the executive session, it was unanimously

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RESOLVED to adjourn the executive session noting that the Board did not engage in substantial discussion of any matter not enumerated in §24-6-402(4)(b) or (e) , and the Board did not adopt any proposed policy, position, resolution, rule, regulation, or formal action.

Upon motion duly made and seconded, with abstention by Director O’Flaherty, it was

RESOLVED by the GRMD Board to hire special legal counsel to address the motion to intervene and to designate Director Harris to coordinate with the new special council.

Consent Agenda

After discussion by all of the Boards, the following items were removed from the consent agenda for further discussion.

- April 21, 2010 meeting minutes for all Districts.
- Approval of the Accounts Payable listing for GRMD.
- Summer Chairlift and Bike Park Use Agreement.

By motion duly made and seconded, it was unanimously

RESOLVED by the HWMD Board to approve the Accounts Payable list and ratify the Skyview Amenity Fund Contract.

By motion duly made and seconded, it was unanimously

RESOLVED by the SVMD Board to approve the Accounts Payable list.

Summer Chairlift and Bike Park Use Agreement

A draft of the agreements, which are between HWMD and the SolVista and Granby Ranch Residential Associations, were reviewed by the HWMD Board, noting that the written amounts needed to be updated to match the numerical amounts. The Board noted several other minor modifications that needed to be made to the agreements. By motion duly made and seconded, it was unanimously

RESOLVED by the HWMD Board to approve the Summer Chairlift and Bike Park Use Agreements, subject to the modifications as noted.

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April 21, 2010 Joint Meeting Minutes

The Boards and members of the public discussed the specifics of the prior joint meeting. Ms. O’Flaherty and Mr. Phillips felt that they had objected to the exclusion of property out of GRMD. Mr. White noted that Ms. O’Flaherty did request to postpone the exclusion because she felt that the meeting posting was not properly noticed, to which Ms. McClendon confirmed that the agenda had been posted and the meeting was properly noticed, which resolved the issue. More importantly, although questions were asked and answered, no objections, verbally or written, were presented during the public hearing for the exclusion of property from GRMD. Mr. Weaver stated that he would add the following language to the public input section of the meeting minutes: “Ms. O’Flaherty stated the agenda for the meeting was not properly and timely noticed. Ms. McClendon reported the agenda for this meeting had been posted to www.headwatersdocs.com the previous Thursday, April 15th, and that the meeting was properly noticed as well.” All parties in the room agreed that this would be a proper reflection of the conversations.

Director O’Flaherty noted that once the exclusion is explained to her in greater detail outside of the Board meeting she may be willing to withdraw her motion to intervene.

By motion duly made and seconded, it was unanimously

RESOLVED by the HWMD and GRMD Nos 2-8 Boards to approve the April 21, 2010 minutes, subject to the adding of the additional paragraph in the public comment section noted above.

By motion duly made and seconded, with abstention by Directors Herzog and Conrad because they were not Board members at the time, it was

RESOLVED by the SVMD Board to approve the April 21, 2010 minutes, subject to the adding of the additional paragraph in the public comment section noted above.

By motion duly made and seconded, with abstention by Directors O’Flaherty and Clinger because they were not Board members at the time, it was

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RESOLVED by the GRMD Board to approve the April 21, 2010 minutes, subject to the adding of the additional paragraph in the public comment section noted above.

GRMD Legal Counsel

Director O'Flaherty expressed her concern that the GRMD Board should hire their own legal counsel as she feels that Mr. White and his office are conflicted. Mr. White responded that it is common to have a single legal counsel represent multiple parties in the same agreement as long as legal counsel discloses the issue to each party and they consent. Mr. White stated that at this time he does not see the need for separate legal counsel and noted that the costs of doing so would only create additional funding shortfalls. Director O'Flaherty asked that the topic be tabled at this time.

Meeting Schedule

The Boards reviewed the meeting schedule and determined it best to have SVMD and GRMD meet separately from the joint meeting of HWMD and GRMD Nos 2-8. There was a request to hold the meeting on Friday afternoons or Monday mornings to allow greater homeowner participation, however this was not deemed practical due to other scheduled meetings and Fridays being busy days for development staff preparing for weekend events. The next meetings are scheduled to be held on July 21, 2010 with tentative starting times of 10:00 for HWMD and GRMD Nos 2-8, 11:00 for SVMD, and 11:15 GRMD.

Director O'Flaherty also asked that a courtesy notice of future meetings be posted at the Grange Hall.

Public Hearing on GRMD#8 Inclusion

Mr. White noted that notice of the inclusion hearing had been published in accordance with applicable law.

Director Harris opened the public hearing of the GRMD #8.

Mr. White explained that the land being included will be on parity with the property remaining in GRMD, meaning that the property will remain liable for its proportionate share of the current, outstanding senior and subordinate debt of GRMD as well as contractual obligations to HWMD.

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No public comment was given and Director Harris closed the public hearing.

By motion duly made and seconded, it was unanimously

RESOLVED by the GRMD No. 8 Board to approve the Resolution and Order for Inclusion of Real Property as presented.

Legislative Matters Mr. White reported there will be three measures on the state ballot in November which if passed could affect all levels of governmental agencies in the State of Colorado and cause many fiscal issues. Specific to these Districts, it would make refinancing the GRMD senior bonds nearly impossible and therefore Mr. White recommended that the GRMD Board consider refinancing the bonds prior to December 31, 2010. The GRMD Board agreed and asked Mr. White to make an initial contact to Mr. Kane to see if a refunding might be a possible.

**Potential Dissolution
Of SVMD**

Mr. White briefly reviewed the steps that would be involved to dissolve the SVMD and have the affairs of the District administered by GRMD and HWMD in an effort to save on operating expenses. No action was taken at this time.

**Upcoming Construction
Contracts and Status
of Construction**

Director Harris reported Matrix Engineering has been engaged by HWMD to conduct construction observation of the remedial work being performed by New Village Homes on the roads in filings 2, 2B, and 5. The costs of Matrix's services are a pass-thru to New Village Homes and will not be borne by the District. Related to this, New Village Homes will be required to place \$250,000 into escrow by June 1, 2010 per a Public Improvement Agreement (PIA) between HWMD, New Village Homes, and the Town of Granby. The PIA has not yet been executed as the Town is still making minor modifications. Director Harris has received a letter from New Village Homes asking HWMD to move forward with the PIA in an effort to get the agreement executed prior to the June 1, 2010 deadline. Director Harris recommended that the HWMD Board approve the agreement in the current substantially complete form so that the work can be started as soon as possible. By motion duly made and seconded, it was unanimously

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RESOLVED by the HWMD Board to approve entering into a Public Improvement Agreement with New Village Homes and the Town of Granby in substantially the form discussed, subject to final review of legal counsel.

Amenities Update Director Harris reported that Mike Swan, who is a PGA Pro, has been hired by the golf course and gave an update of upcoming events at the golf course and ski area.

**New Signer for
Bank Accounts**

With the change in Board members the signature cards for the each of the Districts need to be updated.

By motion duly made and seconded, it was unanimously

RESOLVED by the HWMD and GRMD Nos 2-8 Boards to approve Directors Harris and Packer to be authorized signers on District bank accounts.

By motion duly made and seconded, it was unanimously

RESOLVED by the GRMD Board to approve Directors Harris and Krueger to be authorized signers on District bank accounts.

By motion duly made and seconded, it was unanimously

RESOLVED by the SVMD Board to approve Directors Harris and Krueger to be authorized signers on District bank accounts.

The Boards also expressed concern with funds being held by Grand Mountain Bank since the bank has a cease and desist order on making new loans. Mr. Weaver stated that as of April 30, 2010, the operating and amenities accounts of HWMD when combined exceeded the \$250,000 FDIC limit, which means that the District is dependent on the banks PDPA collateral.

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By motion duly made and seconded, it was unanimously

RESOLVED by the HWMD Board to have Robertson & Marchetti and the Amenities staff transfer the majority of the funds held at Grand Mountain Bank to the District's CSAFE account.

Audit Calendar Mr. Weaver reported the GRMD and HWMD audits are on track and that he has received initial drafts from the auditors.

**Funding of
Operations
Shortfall**

Mr. Weaver explained that the current operating shortfall pertains only to the Headwaters General Fund. Due to the current economic conditions, a larger portion of the GRMD mill levy is now required to be used to pay debt service. This has created a \$128,800 deficit in the HWMD General Fund per the amended 2010 budget, which deficit may increase. To overcome this deficit there are four basic options:

1. Levy a fee to produce the needed revenue.
2. Request a service plan amendment from the Town to allow the mill levy to be increased to generate the needed revenues. (This would only be an option for funding the 2011 and future shortfalls.)
3. Request that Granby Realty Holdings (GRH) advance funds to cover the shortfall.
4. Reduction of services.

Ms. Cipriani spoke on behalf of GRH and explained that prior to the filing of the Motion to Intervene, GRH was prepared to fund the shortfall for 2010. However, with this filing and the associated increase in consultant fees and other costs, GRH is reconsidering advancing any funds.

The new Board members asked that they be given time to better understand the situation and the advantages and disadvantages of each of the options before determining a plan of action.

Director Conrad of the SVMD left the meeting (via telephone).

**GRMD #8 Mill
Levy Certification
Process**

Mr. Weaver explained that the property included earlier into GRMD #8 will still be liable for its proportionate share of the indebtedness of GRMD existing as of the date of the exclusion, and that the assessor's office will be submitting two separate certifications of value for certification of tax

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levies for future GRMD budgets, one for the property still in GRMD, and one for the property that was excluded. Mr. Weaver will coordinate with the County Assessor.

Director Badger left the meeting.

Financial Statements

The Boards reviewed the April financial statements.

By motion duly made and seconded, it was unanimously

RESOLVED by the HWMD Board to approve the April 30, 2010 financial statements as presented.

By motion duly made and seconded, with abstention by Directors O'Flaherty and Clinger, it was

RESOLVED by the GRMD Board to approve the April 30, 2010 financial statements as presented.

By motion duly made and seconded, it was unanimously

RESOLVED by the SVMD Board to approve the April 30, 2010 financial statements as presented.

Adjournment

Upon motion duly made and seconded, it was unanimously

RESOLVED to adjourn the joint meeting of the Headwaters, Granby Ranch, SolVista, and Granby Ranch Metropolitan District Nos. 2-8 this 25th day of May, 2010.

Respectfully submitted,



Eric Weaver
Secretary for the Meeting

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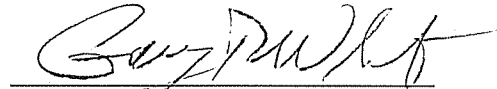
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Attorney Statement

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 Granby Ranch Metropolitan District, I attended the executive session meeting convened at 10:45 am on May 25, 2010, pursuant to §24-6-402(4)(b), C.R.S., conference with an attorney for the purpose of receiving legal advice related to the motion to intervene filed by Director O'Flaherty, and pursuant to §24-6-402(4)(e), C.R.S., for the purpose of discussing positions relative to matters that may be subject to negotiations, developing strategy for negotiations, and instructing negotiators as authorized by law. 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 and 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.

Signature



Name and Title

Gary E. White, Esq.

Date

11/2/2010