



**MINUTES OF SPECIAL MEETINGS
OF THE BOARDS OF DIRECTORS OF THE
WOODMEN HEIGHTS METROPOLITAN DISTRICT NOS. 1, 2 and 3
MARCH 19, 2018 AT 9:30 AM**

Pursuant to posted notice, the joint meeting of the Boards of Directors of the Woodmen Heights Metropolitan District Nos. 1, 2 and 3 was held on Wednesday, March 19, 2018 at 9:30 AM, at 102 E. Pikes Peak Avenue, Suite 200, Colorado Springs, CO 80903.

In attendance were Directors:

Lindsay Case, President
Les Krohnfeldt, Vice President/Treasurer
Randle Case II, Asst. Secretary
James Morley, Secretary (10:17 AM)
Kyle Geditz, Asst. Secretary

Also in attendance were:

K. Sean Allen, Esq., White Bear (by phone)
Kevin Walker, Walker Schooler DM
Kristina Kulick, Walker Schooler DM
Ron Waldthausen

Combined Meeting:

The Boards of Directors of the Districts have determined to hold a joint meeting of the Districts and to prepare joint minutes of actions taken by the Districts in such meetings. Unless otherwise noted herein, all official action reflected in these minutes shall be deemed to be the action of all Districts. Where necessary, action taken by an individual District will be so reflected in these minutes.

1. Call to Order:

Director Lindsay Case called the meeting to order at 9:38 AM.

2. Declaration of Quorum/Director Qualifications/Disclosure Matters:

Director Lindsay Case indicated that a quorum of the Boards was present, and stated that each Director has been qualified as an eligible elector of the Districts pursuant to Colorado law. The Directors confirmed their qualification. Mr. Walker noted that the Directors' disclosures of their potential conflicts of interest were filed pursuant to state law for the meeting, and were made part of the official minutes of the meeting by reference. The Boards determined that participation by the directors with potential conflicts of interest was necessary to obtain a quorum or otherwise enable lawful action to occur.

3. Approval of the Agenda:

The agenda was approved with the addition of Item 6.b. Fourth Modification of the PILOT Agreement.

4. Inclusion and Exclusion Public Hearing:

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www.wsdistricts.co*

Director Lindsay Case opened the inclusion and exclusion public hearing. There being no public comment Director Lindsay Case closed the public hearing.

a. District 1 Inclusion and Exclusion Resolutions –

Mr. Walker informed the Board that the inclusion and exclusion for District 1 is to move it from a small parcel where it is currently to a spot west of the 7-Eleven in same size and configuration. Mr. Allen inferred that the substitution of property is simultaneous with the boundary change. Director Geditz moved to approve the exclusion and inclusion of District 1 as described above; seconded by Director Krohnfeldt. Motion passed unanimously.

b. District 2 Inclusion Resolution –

Mr. Waldthausen showed the area on a map to be included explaining that currently there are 7 acres in District 3, the commercial district, that need to be moved to District 2, the residential district. Director Geditz moved to approve the inclusion for the 7 acres into District 2 referenced property; seconded by Director Krohnfeldt. Motion passed unanimously.

c. District 3 Exclusion Resolution –

Per the discussion above, Director Geditz moved to approve the exclusion for the 7 acres out of District 3; seconded by Director Krohnfeldt. Motion passed unanimously.

5. Bond Safeguard:

Mr. Walker informed the Board that Director Morley asked him to move forward with Bond Safeguard payouts. In that motion agreed to pay Morley Family Investments, we will expend about \$1.4 Million. \$700,000 less than what was done previously. Mr. Walker updated the Board on the issue that last week Director Morley asked him to facilitate this and an email exchange with Bond Safeguard. A release was drafted, but there is a second amendment to two agreements between Director Morley and his other entities and Bond Safeguard. They are working on a settlement to the lawsuit. In a conversation on Monday of last week, it was disclosed that Bond Safeguard had been paid some amount by City of Colorado Springs in bridge credits, but Woodmen Heights is not a part of that. In lieu, Bond Safeguard is wanting to be paid a portion and the remainder to Director Morley. This created complications because what the district is paying in public funds should be used to favor improvements. Now the money is being paid out differently. Mr. Allen said that we made a \$500,000 payment last year, and this would be the final \$350,000 of \$850,000. Mr. Allen is making sure the Board has all information necessary since now some money will be paid to Bond Safeguard, and to Director Morley. Since it is going to 2 different entities, there are releases involved. He is wanting to make sure there is no recourse for the District. Mr. Allen said he is waiting to hear back from Bond Safeguard, and that he is saying no to the add on to the release agreement. Mr. Walker will provide a written summary gathering all information and Director Morley is helping to get the settlement agreement. Director Lindsay Case asked if this issue could be put on the next agenda so the Board can understand better with all the information. Director Lindsay Case suggested adjourning the meeting. Mr. Allen said that everything is appropriate, just wanting documentation. He clarified that Director Morley gets a portion of the \$350,000 and Bond Safeguard gets the other portion. Director Lindsay Case reiterated that he wants this issue in writing and wants to adjourn. Mr. Walker called Director Morley on the phone, and he joined the meeting by phone at 10:03 A.M. Mr. Walker updated Director Morley and let him know

that Director Lindsay Case is wanting this all to be put in a memo so the Board can understand, and that they were about to adjourn the meeting. Director Morley said he will be here in a few minutes. Mr. Allen said that Bond Safeguard only wants \$182,000 and that Director Morley is entitled to his portion. He added that the Board can approve the allocation of money if there is a full and final release with no final recourse once the check is written, so that they cannot come back to the District. Mr. Allen redlined where it says they can come back to the District and will not pay \$850,000 and then still have recourse. Director Lindsay Case asked who else we are dealing with. Mr. Allen replied that we are dealing with Bond Safeguard's counsel and Director Morley's counsel. Mr. Allen said that the agreement is needed, but it has been redlined by both parties. Director Geditz said that his understanding is that in the past the District agreed to pay \$850,000 to Bond Safeguard, but now the District is paying less to Bond Safeguard and some portion to Director Morley. He said that without an agreement saying this is okay we shouldn't pay. Director Geditz wants to know more to make sure he does not have a conflict because he may have been involved since Director Geditz represented Director Morley in past lawsuits. He does not want to make a decision without more information.

An email printout from Director Morley to Mr. Walker was given to the Board at 10:13 A.M. Director Lindsay Case stated that this is the first time the Board has seen this.

Director Lindsay Case asked if the Board agreed to give Bond Safeguard \$850,000. Mr. Allen said that they are wanting final payment and releases, but no reservations of rights. The draft on Friday included that they could have recourse.

Director Lindsay Case left the meeting at 10:15 A.M. Director Lindsay Case left the meeting in protest of Bond Safeguard not removing the recourse, but he will agree to sign the check for Director Morley. Director Krohnfeldt stated that the Board agrees to get this done, but with documentation and a release from Bond Safeguard without recourse.

Director Morley arrived at the meeting at 10:17 A.M. Director Lindsay Case returned to the meeting at 10:17 A.M.

Director Lindsay Case told Mr. Allen that he is ready to sign off, but Bond Safeguard wants ability to recourse in the future. Director Morley told the Board that Bond Safeguard wants \$182,000 and then they are done. Mr. Allen said that the drafting of release agreement does not show that, but if Director Morley is correct. Director Lindsay Case said the Board agrees to release checks if Mr. Allen can get the draft to remove the recourse. Mr. Allen asked Director Morley to explain the change of \$350,000 to new portion of payment.

Director Morley explained that we agreed to pay them a total of \$850,000, a \$350,000 and \$500,000 payment. Director Morley signed on \$4 Million in bonds for the district. He said that Bond Safeguard sued him for \$3 Million and took his house, buildings he owns, and bridge credits as collateral. Bond Safeguard has been collecting money from him. Director Morley said that he made a \$20,000 payment per month for a year and got it paid down to \$2.4 Million. He said that a \$500,000 payment that was given a few years ago, then he was about to pay \$350,000 from Cedarwood, but Bond Safeguard would not take it. There is a new agreement, instead of \$350,000 he owes \$456,000. Bond Safeguard received payment from the City on Director Morley's bridge credits six weeks ago, so now all they want is \$182,000. If they get that, Director Morley gets everything back including his house, bridge credits, etc. Director Morley is paying \$106,000 of his own money to have this deal done. Director Morley said he will call Jerry as soon as he is done with the meeting. Director Lindsay Case said to get this done before we are all out of town. Director Geditz asked Director Morley if this was a lawsuit that he represented him on. Director Morley said no it was not. Director Geditz said that he is

good and there is no conflict. He said that if the district is paying less than \$350,000 we need an agreement saying we get the full release.

Director Randle Case moved to approve the dispersal of funds and what Mr. Allen needs to get full removal of recourse. Seconded by Director Krohnfeldt. Director Geditz asked about the \$106,000, and if the district was involved in this. Director Morley responded that yes, the district was involved and that Connie wouldn't release us. He said he had to go back in on our dime and replace trees and make improvements. Director Geditz asked if this predates, and all he knows is the agreement/motion to release Director Morley from Bond Safeguard. He added that if making payments in motions from years ago, then it needs to be resolved. Director Lindsay Case said that it was amended. Director Geditz replied no, district was not a part of that amendment. Mr. Walker stated we were not on the documents. Director Geditz said Bond Safeguard sent over a full release document, then did a second amendment. Mr. Walker replied that the settlement agreement was between Director Morley and his entities and Bond Safeguard, and that the district was not a part of that. He added that the district, based on a motion, sent a \$500,000 payment on behalf of Director Morley. Director Morley stated that they sued me, not the District since the District is not on it. He said the District has given me back money, but Bond Safeguard wouldn't take the \$350,000 because the City wouldn't let Bond Safeguard off the hook, but now they are off the hook. He said that since it is past the date it was supposed to be done they charged extra. Instead of \$350,000 he had to pay \$456,000. Director Lindsay Case asked for clarification on why it is \$456,000. Director Morley explained that since it was not done until after, Bond Safeguard came back and said the total amount owed is \$456,000. Director Morley made a payment with credits of \$274,000, so now only need to pay \$182,000. Motion passed unanimously. Director Morley abstained.

6. Other Business:

a. Next Regular Meeting Date –

The next regular meeting is scheduled for April 4, 2018 at 1:00 PM, if needed.

b. Fourth Modification of the PILOT Agreement (item added) –

Mr. Walker said there were three modifications done already, which amends the amount that is owed in lieu of taxes. Director Geditz moved to approve the fourth modification of the PILOT Agreement; seconded by Director Randle Case II. Motion passed with Director Krohnfeldt abstaining due to disclosed interest.

7. Adjournment: The meeting was adjourned at: 10:37 AM.

Respectfully Submitted,

By: Kevin Walker for the Recording Secretary