

RECORD OF PROCEEDINGS

MINUTES OF REGULAR MEETINGS OF THE BOARDS OF DIRECTORS OF THE WOODMEN HEIGHTS METROPOLITAN DISTRICT NOS. 1, 2 and 3 SEPTEMBER 6th, 2006 AT 9:00 A.M.

Pursuant to posted notice, the regular meetings of the Boards of Directors of the Woodmen Heights Metropolitan District Nos. 1, 2 and 3 were held on Wednesday, September 6th, 2006 at 9:00 a.m., at 102 E. Pikes Peak Avenue, Suite 200, Colorado Springs, CO.

In attendance were Directors:

Lindsay J. Case, President
Les Krohnfeldt, Vice President
James Morley, Treasurer/Secretary-
Randle Case II, Assistant Secretary
Paul Howard, Assistant Secretary

Also in attendance were:

K. Sean Allen, Esq., White, Bear &
Ankele Professional Corp. (by phone)
Terry Schooler, Schooler & Associates
Lori VonFeldt-Wingert, Schooler & Associates
Al Watson, Development Services
Jim Hamel, ESI (left at 10:05 a.m.)
Charlie Williams, Infinity
Virgil Sanchez, ESI (left at 10:05 a.m.)
Cordis Foster, Hammers Construction
Ross Clinger (arrived at 9:31 a.m.)
Todd Evans, Infinity
Krieg Campbell, CCC
Jeff Coleman, CCC
Steve Mulliken, Mulliken Weiner

Combined Meetings:

The districts are meeting in a combined board meeting. Unless otherwise noted below, the matters set forth below shall be deemed to be the action of Woodmen Heights Metropolitan District No. 1 ("District", "District 1" or the "Board") with concurrence by Woodmen Heights Metropolitan District No. 2 ("District 2") and Woodmen Heights Metropolitan District No. 3 ("District 3").

1. Call to Order:

Mr. Lindsay Case called the meeting to order at 9:06 a.m.

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

Mr. Lindsay Case indicated that quorum of the Board was present, and stated that each Director has been qualified as an eligible elector of the District pursuant to Colorado law. The Directors confirmed their qualification. Ms. VonFeldt-Wingert noted that the Directors' disclosures of their potential conflicts of interest were filed pursuant to state law for the meeting.

3. Approval of

the Agenda: The agenda was approved and items 6.e. and 7.b. will be discussed first.

4. Approval of

the minutes: Motion to approve the August 2nd, 2006 meeting minutes with the correction to the statement made by Mr. Howard regarding selling his interest in Powerwood 2 to an internal buyer to be added at the top of page 3 made by Mr. Howard seconded by Mr. Krohnfeldt. Motion passed.

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5. District Manager Report:

a. Construction Budget Status Report (CBSR)-

Mr. Watson reported that it was brought to his attention from Colorado Springs Utilities that the majority of the 30" sewer line on Pond 2 would have to be redone. The District has paid \$260,000 of the \$375,000 contract to Colorado Civil Construction (CCC) already and Mr. Watson felt that the situation warranted specific Board discussion. CCC neglected to get payment performance bonds to the District, which is not in conformance with their contract. Mr. Watson indicated that he talked to the inspector, Joe Busmeyer, and there are no issues with the work that CCC has done on the Cedarwood 24" waterline, which constitutes the bulk of CCC's August billing. Mr. Coleman stated that there is a maximum of approximately 1100 feet that may need to be replaced, but could be as little as 300 feet. Mr. Watson inquired as to assurance in lieu of the bonds to make the sewer line right. Mr. Morley stated that CCC should be paid their money and he would be solely responsible to make sure the line gets fixed, but that CCC needs to make sure they provide the bonds for the next project. Mr. Coleman stated that he needs a copy of the signed contract in order to get the bonds. Mr. Allen asked Mr. Morley if he was in deed making a personal, individual guarantee, which Mr. Morley responded in the affirmative. CCC is prepared to pay \$200,000 from their business funds to repair the work. The District will be paying an extra \$25,000, which was approved at the last meeting.

Mr. Schooler stressed the need to have all invoices turned into Schooler & Associates by the 25th of every month to get everything processed on time for the meetings.

b. Construction Status-

Mr. Watson handed out the updated CBSR (attached) detailing what was being spent in each area. There is no activity in area 3. Mr. Sanchez indicated they were waiting for approvals for area 3. Mr. Krohnfeldt stated that they are one step away from getting approval for Marksheffel and the 24" line is all but done. Mr. Sanchez reported that Banning/Lewis needs the waterline and it will go underneath the channel, but wasn't sure if it would be permanent. The sewer line has a stamped approval and construction will start in the wintertime around December or January, which Mr. Krohnfeldt indicated the time frame was okay. Mr. Watson and Mr. Sanchez will re-bid the project since only one bid was received and it was believed to be too high.

c. Bid Award/Construction Contract/Notice to Proceed/Notice of Final Payment-

There were no bids to award.

d. Market Status of Ground or Developers-

Mr. Morley reported that he has 42 lots left of the 532. They are done with the interior sewer and are starting on the water lines now and expect to be finished with the 532 lots by the first week of November. Mr. Morley indicated that he would be closing this Friday. Mr. Morley stated further that there are 252 lots separate from the 532 lots that John Laing Homes has made an offer. It was noted that these are the only "finished" lots in the area available and permits should be drawn this year for the lots. For the commercial and industrial portion, Mr. Morley indicated that he has signed contracts for the small industrial portion of his project as well as a daycare center, heating/ac place and a sports facility.

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Mr. Foster reported that Hammers Construction is working on a development plan for a retail center to be built in 2007, which so far includes: a dentist office, bank and gas station. A site plan will be brought in for the Board.

6. Legal Matters – Sean Allen:

- a. Improvement Acquisition Agreement (Morley and Infinity)-
Mr. Mulliken has been working on a draft agreement with Mr. Allen relative to the cost recovery portion of the agreement. The Board decided to discuss the agreement in detail at a continued meeting on Monday, September 18th at 1:00 p.m.
- b. Policy/Resolution Regarding Cost Recovery-
To be discussed at the continued meeting.
- c. Operation and Maintenance Fee (Landscaping/Recreation)
To be discussed at the continued meeting.
- d. Developer Advance and Reimbursements for Operational Shortfalls-
To be discussed at the continued meeting.
- e. Assurance Letter
Mr. Schooler indicated that he and Mr. Sanchez were trying to work out an assurance document with the City for Pond 2. Mr. Howard stated that he has had conversations with Mr. Dave Lethbridge who is an advocate for the letter of assurance and it has already been done once for the 3-Road Project. The board agreed that the problem with the City Attorney was a lack of coordination and metro districts not doing well years ago so now the City wants a letter of credit or a bond posted. Mr. Mulliken suggested going to the City to work out a new surety policy for metro districts. Mr. Lindsay Case stated that it would be difficult to draft a City policy because of the differences in districts and projects. Mr. Howard indicated that the letter of assurance they had for the 3-Road Project stated that the City could withdraw the funds from the bank if the District failed to perform. Mr. Sanchez reported that the plans are approved by the City for Pond 2 and construction will start this month and maybe the district should buy performance bonds for all improvements and cap it, which would save paperwork for all parties involved, but the district would have to come up with funds to purchase it. Mr. Allen noted that in other jurisdictions, granting City access to escrowed district construction funds upon certain conditions has been sufficient for surety concerns. The Board requested Mr. Allen send a sample letter to Mr. Schooler and Mr. Mulliken so that a letter can be drafted for the District and Mr. Mulliken will set up a meeting with the City.

7. Financial Statement and Payables:

- a. Approval of Invoices –
Motion to approve the payables and Project bond draws made by Mr. Morley seconded by Mr. Krohnfeldt. Motion passed.

8. Other Business:

The next meeting date is scheduled for Wednesday, October 4th, 2006 at 9:00 a.m. at the Case offices.

Mr. Schooler indicated there was an issue with funding the bridge on Tutt and Norwood's lack of help. Mr. Clinger stated that Norwood is going to City Planning for their project:

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West Creek Filing 3 and feels they should build a quarter of the bridge. Mr. Schooler suggested Mr. Clinger have the City require Norwood to submit a traffic impact report. Mr. Mulliken concurred that a traffic study would be helpful in proving Norwood's need for participation. The Board agreed that this situation directly affects all board members and would be in the best interest of the District if a letter were written on behalf of the District. Mr. Howard motioned to have Mr. Schooler and Mr. Mulliken draft a letter to Norwood describing how the situation impacts the District to be signed by Mr. Lindsay Case seconded by Mr. Krohnfeldt. Motion passed.

9. Adjournment:

The meeting was adjourned at 10:52 a.m.

Respectfully Submitted,

Terry E. Schooler, Manager