

**MINUTES OF THE REGULAR MEETING OF THE BOARD OF DIRECTORS
OF
HEATHER RIDGE METROPOLITAN DISTRICT NO. 1**

Held: October 21, 2010, at 4:00 p.m. at 13521 East Iliff Ave., Aurora, Colorado.

Director Attendance A meeting of the Heather Ridge Metropolitan District No. 1 (the "District") was held as shown above and in accordance with the applicable statutes of the State of Colorado. The following directors, having confirmed their qualification to serve on the board, were in attendance:

Errol Rowland James Bruce Mary Lou Braun
Joan Beldock Vincent Roith
Van Lewis

Also present for the District: Sean Allen, Esq., White, Bear & Ankele Professional Corporation, general counsel; Diane Wheeler, Simmons & Wheeler, district accountant. A public audience was also in attendance.

Call to Order & Quorum / Director Rowland noted a quorum was present and all directors present were
Qualifications qualified to serve. Director Rowland called the meeting to order.

Approval of Agenda The agenda was reviewed. Motion made and seconded to approve the agenda with
the addition of grant discussion. The motion passed unanimously.

Approval of Minutes The minutes from the September 16, 2010 meeting were discussed. Motion made
and seconded to approve the minutes. Motion passed unanimously.

Golf Course Operation Mr. Roith, for The Golf Club at Heather Ridge, Inc. ("GCAT"), mentioned that the
Report by Golf Course number of golf rounds played in September remained solid. Mr. Griffiths described
Management the latest marketing efforts being undertaken. Mr. Griffiths and Mr. Roith noted
that expansion of the GCAT board to 5 to 7 members was being analyzed. Director
Rowland commented that GCAT's board membership proposal to the District board
needs greater structure and definition prior to bringing the matter before the
District.

Repair/Construction Director Roith reported on the completion of the HVAC work. The
Contracts walking/golfing paths and parking lot work are in process. Director Roith also
noted that the City approval of the protective driving range plans is taking time and
needs to occur before moving forward with net installation.

General Matters District Insurance. Janet Whoric from T. Charles Wilson, the District insurance
agent, discussed 2011 insurance renewal matters with the board. An additional
umbrella policy was discussed and upon motion and second, a \$5.0 million
umbrella was added to the 2011 renewal policy. Motion passed unanimously.

Metro Matters Publication. Director Lewis reported that the publication is
becoming the major communication media for the Heather Ridge community.

Clubhouse Pool. The pool committee reported that the major repairs to the indoor
pool reactivation process are complete, but that in order to sell annual
memberships, a completed and ready to open pool is needed for showings.

Grants. Director Rowland noted that the 2011 grant cycle workshops are
approaching and the District may want to consider going for smaller grant amounts
for items such as water features. Volunteers to work on the grant application

committee are needed. Mr. Allen reminded the board that City-District IGA concerning District grant authority was limited by the City to the 2010 grant cycle, and therefore the District will need a new agreement with the City for the 2011 grant cycle. The board indicated it was in favor of going forward with a 2011 grant cycle and committee plus seeking volunteers accordingly.

Director Vacancy and Appointment

Director Rowland announced that Ms. Klein's resignation has left a vacancy on the board of directors, and a few director candidates have expressed interest in being appointed. Director Rowland suggested that an appointment criteria policy be created that promotes balanced community representation when possible. Mr. Allen noted that any self imposed appointment criteria would only be applicable when the board is exercising its vacancy appointment powers and that the such criteria would not be applicable for Director elections. The audience asked why the director elections get cancelled and Mr. Allen answered that elections are canceled when the number of director candidates is equal to or less than the number of seats up for election. Mr. Allen further stated that conditions allowing cancellation of the director elections have been satisfied for the past 2 director election cycles. The board discussed different appointment criteria. Upon a motion and second, the following appointment criteria were established, which are to be added to the District's future by-laws (which may be amended):

- 1. The appointee must reside in the District at the address represented.*
- 2. The appointee must be named as the property owner on the Arapahoe County Assessor's website search of the specific property within the District.*
- 3. A legal spouse of the individual from the above number 2 also qualifies.*
- 4. No more than one director may be represented from any one HOA.
(On the 7 member District board, no HOA may have more than one director)*
- 5. No fewer than 3 directors reside South of Iliff and no fewer than 3 directors reside North of Iliff.*

Criteria items 1 through 4 were unanimously approved. Criteria item 5 was approved five to one.

Director Lewis made a motion to add a 6th qualification to also consider appointment of people under a scenario when the property owner of the unit is listed as a Trust and the people who live in that unit are also Colorado registered voters. The motion failed for a lack of a second from the remaining directors.

With the appointment criteria established, upon a motion and second, Melissa Miller, who was confirmed as meeting the new criteria, was appointed to the board of directors. Motion passed unanimously.

Financial Matters

Ms. Wheeler presented the financial statement, current cash flow analysis, and invoices/claims payable. After consideration of the current and interim invoices, upon motion and second, the invoices were approved and ratified respectively for payment. The financial statement was accepted.

New Water Delivery System GCAT Report

Mr. Griffiths and Mr. Ritter, on behalf of GCAT, gave a presentation to the District board about the condition of the golf course's irrigation system and ponds as follows: Increased play on the course naturally results in increased demands on the approximately 40 year old irrigation system. Blow outs have occurred resulting in loss of water, and silt in the ponds has decreased the depth and reduced the storage capacity. Break downs of the system are frequent and directly increase the maintenance costs. Some areas are becoming over watered while others are dry. The irrigation system is undersized and not able to put out enough water over night to properly irrigate the course. Conditions of the fairways are showing the impacts

of an under performing system. When the course was purchased the hope was that the system could be nursed along a few years, but the problems with the system experienced in 2010 have shown the system needs replacement. Ponds need dredging to increase the depth and thereby increase the storage capacity and access to the pond water for irrigation. Water quality within the ponds is also of concern.

The recommended solution is to replace the irrigation system and dredge the ponds. The estimated cost is between \$1,100,000 and \$1,400,000 based on the irrigation study. Approximately \$750,000 could be borrowed from US Bank, with \$300,000 from the capital reserves and the balance from other funding or leasing of the irrigation system. The borrowing of the \$750,000 and repayment thereof could fit within the existing Series 2009 Bond.

Comment from the public audience is that the replacement of the irrigation system is a means to help preserve the way of life in Heather Ridge.

Motion and second to have GCAT moving forward with its irrigation system replacement analysis and make recommendations to the District. Motion passed unanimously.

Amendments 60/61 and
Prop. 101

At the request of Director Rowland, Mr. Allen briefly mentioned the probable financial impacts to the District should these ballot measures pass at the November 2, 2010 statewide election.

Adjourn

Motion made and seconded to adjourn. Meeting adjourned.

The foregoing minutes were approved by the Board of Directors on November 18, 2010, and constitute a true and correct copy of the minutes of the above-referenced meeting.

Secretary for the Meeting

**BUDGET RESOLUTION
(2011)**

CERTIFIED COPY OF RESOLUTION

STATE OF COLORADO)
) ss.
COUNTY OF ARAPAHOE)

The Board of Directors of Heather Ridge Metropolitan District No. 1, City of Aurora, Arapahoe County, Colorado (the "District") held a regular meeting at 13521 E. Iliff Avenue, Aurora, Colorado, on Thursday, November 18, 2010, at the hour of 4:00 P.M.

The following members of the Board of Directors (the "Board") were present:

Errol Rowland
Vincent Roith
Melissa Miller
Mary Lou Braun
Van Lewis
Joan Beldock
James Bruce

Also present: K. Sean Allen, Esq., White, Bear & Ankele Professional Corporation; Diane Wheeler, Simmons & Wheeler.

Mr. Allen reported that, prior to the meeting, legal counsel notified each of the directors of the date, time and place of the budget meeting and the purpose for which it was called. He further reported that this is a regular meeting of the Board and that a notice of regular meeting was posted in three (3) locations within the boundaries of the District and at the Clerk and Records' Office for Arapahoe County, Colorado, and, to the best of his knowledge, remains posted to the date of this meeting.

**NOTICE AS TO PROPOSED 2011 BUDGET
AND
NOTICE AS TO AMENDED 2010 BUDGET**

NOTICE IS HEREBY GIVEN that a proposed budget has been submitted to the HEATHER RIDGE METROPOLITAN DISTRICT NO. 1 (the "District") for the year of 2011. A copy of the proposed budget is on file in the office of Simmons & Wheeler, P.C., 8005 S. Chester Street, Suite 150, Centennial, Colorado, where the same is open for public inspection.

NOTICE IS FURTHER GIVEN that an amendment to the 2010 budget is expected to be submitted to the District. A copy of the proposed amended budget, if any, will be on file in the office of Simmons & Wheeler, P.C., 8005 S. Chester Street, Suite 150, Centennial, Colorado, where the same is open for public inspection.

Such proposed budget and amended budget will be considered at a regular meeting of the District to be held at 13521 E. Iliff Avenue, Aurora, Colorado, on November 18, 2010 at 4:00 P.M. Any interested elector of the District may inspect the proposed budget and amended budget and file or register any objections at any time prior to final adoption of the budget and amended budget.

**BY ORDER OF THE BOARD OF DIRECTORS:
HEATHER RIDGE METROPOLITAN DISTRICT NO. 1**

Thereupon, Director _____ introduced and moved the adoption of the following Resolution:

RESOLUTION

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET AND APPROPRIATING SUMS OF MONEY TO EACH FUND IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE DISTRICT FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY 2011 AND ENDING ON THE LAST DAY OF DECEMBER 2011.

WHEREAS, the Board has authorized its accountant to prepare and submit a proposed budget to the Board in accordance with Colorado law; and

WHEREAS, the proposed budget has been submitted to the Board for its review and consideration; and

WHEREAS, upon due and proper notice, published in accordance with Colorado law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on November 18, 2010, and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, the budget being adopted by the Board has been prepared based on the best information available to the Board regarding the effects of § 29-1-101, *et seq.*, C.R.S., as applicable, and Article X, § 20 of the Colorado Constitution.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

Section 1. Summary of 2011 Revenues and 2011 Expenditures. The estimated revenues and expenditures for each fund for fiscal year 2011, as more specifically set forth in the budget attached hereto, are accepted and approved.

Section 2. Adoption of Budget. The budget as submitted, amended, attached hereto and incorporated herein is approved and adopted as the budget of the District fiscal year 2011. In the event of recertification of values by the County Assessor's Office after the date of adoption hereof, staff is hereby directed to modify and/or adjust the budget and certification to reflect the recertification without the need for additional Board authorization. Any such

modification to the budget or certification as contemplated by this Section 2 shall be deemed ratified by the Board.

Section 3. 2011 Levy for General Operating Expenses. For the purpose of meeting all general operating expenses of the District during the 2011 budget year, there is hereby levied a tax of 11.500 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 4. 2011 Levy for Debt Service Obligations. For the purposes of meeting all debt service obligations of the District during the 2011 budget year, there is hereby levied a tax of 31.000 mills upon each dollar of the total valuation of assessment of all taxable property within the District.

Section 5. Certification to County Commissioners. The Board directs its legal counsel or accountant to certify to the Board of County Commissioners of Arapahoe County, Colorado the mill levies for the District as set forth herein. Such certification shall be in compliance with the requirements of Colorado law.

Section 6. Appropriations. The amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto and incorporated herein, are hereby appropriated for the purposes thereof and no other.

Section 7. Filing of Budget and Budget Message. The Board hereby directs its legal counsel or other designee to file a certified copy of the adopted budget and budget message with the Division of Local Government by January 30 of the ensuing year.

Section 8. Budget Certification. The budget shall be certified by a member of the District, or a person appointed by the District, and made a part of the public records of the District.

The foregoing Resolution was seconded by Director _____.

RESOLUTION APPROVED AND ADOPTED THIS 18th DAY OF NOVEMBER 2010.

HEATHER RIDGE METROPOLITAN DISTRICT NO. 1

Officer of District

ATTEST:

CERTIFICATION OF RESOLUTION

STATE OF COLORADO
COUNTY OF ARAPAHOE
HEATHER RIDGE METROPOLITAN DISTRICT NO. 1

I hereby certify that the foregoing resolution constitutes a true and correct copy of the record of proceedings of the Board adopted at a regular meeting held on November 18, 2010, at 13521 E. Iliff Avenue, Aurora, Colorado, as recorded in the official record of the proceedings of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 18th day of November 2010.

EXHIBIT A
BUDGET DOCUMENT
BUDGET MESSAGE

**Heather Ridge Metropolitan District
Proposed Budget
General Fund
For the Year ended December 31, 2011**

	Actual 2009	Adopted Budget 2010	Actual 8/31/2010	Estimate 2010	Proposed Budget 2011
Beginning fund balance	\$ 11,095	\$ -	\$ 1,124	\$ 1,124	\$ 55,242
Revenues:					
Property taxes	19,750	119,542	124,687	130,000	136,817
Specific ownership taxes	1,289	9,563	5,214	7,800	8,209
Miscellaneous income	-	-	561	561	-
Interest income	69	150	515	775	150
Total revenues	<u>21,108</u>	<u>129,255</u>	<u>130,977</u>	<u>139,136</u>	<u>145,176</u>
Total funds available	<u>32,203</u>	<u>129,255</u>	<u>132,101</u>	<u>140,260</u>	<u>200,418</u>
Expenditures:					
Accounting / audit	5,523	15,000	20,372	30,000	25,000
Legal	24,094	35,000	40,267	50,000	40,000
Insurance	615	2,000	2,141	2,141	2,500
Miscellaneous	95	100	611	1,000	1,000
Consultant fees	455	-	-	-	-
Directors fees	-	-	-	-	-
Treasurer fees	297	1,793	1,877	1,877	2,052
Election	-	1,000	-	-	-
Contingency	-	72,715	-	-	127,749
Emergency reserve (3%)	-	1,647	-	-	2,117
Total expenditures	<u>31,079</u>	<u>129,255</u>	<u>65,268</u>	<u>85,018</u>	<u>200,418</u>
Ending fund balance	<u>\$ 1,124</u>	<u>\$ -</u>	<u>\$ 66,833</u>	<u>\$ 55,242</u>	<u>\$ -</u>
Assessed Valuation		<u>\$ 10,394,940</u>			<u>\$ 11,897,120</u>
Mill Levy		<u>11.500</u>			<u>11.500</u>

**Heather Ridge Metropolitan District
Proposed Budget
Enterprise Fund
For the Year ended December 31, 2011**

	Actual 2009	Adopted Budget 2010	Actual 8/31/2010	Estimate 2010	Proposed Budget 2011
Beginning fund balance	\$ -	\$ 259,750	\$ 395,617	\$ 395,617	\$ 199,329
Revenues:					
Golf Course revenue	186,966	951,000	-	-	1,200,000
Golf Packages	-	-	92,414	150,000	-
Cart Packages	-	-	11,909	20,000	-
Locker Fees Packages	-	-	-	-	-
Storage Fees Packages	-	-	-	-	-
Tournaments	-	-	74,251	90,000	-
Cart Fees	-	-	105,238	135,000	-
Green Fees	-	-	259,233	350,000	-
Range ball fees	-	-	16,812	18,000	-
Merchandise	-	-	23,149	3,000	-
Rent - Restaurant	5,750	-	51,500	74,500	-
Miscellaneous Income	-	-	5,833	7,000	-
Transfer from Capital Projects	259,750	-	-	-	-
Interest income	-	-	273	500	-
Total revenues	452,466	951,000	640,612	848,000	1,200,000
Total funds available	452,466	1,210,750	1,036,229	1,243,617	1,399,329
Expenditures:					
Golf course expenses	-	859,000	-	-	970,000
Golf Cart Lease	3,720	-	37,986	62,520	-
Golf Pro	3,500	-	17,617	17,617	-
Golf Pro-Merchandise	-	-	27,204	-	-
Landscape Maintenance	-	-	15,886	20,000	-
Repairs/Maintenance	1,782	-	15,396	20,000	-
Building Maintenance	-	-	8,850	10,000	-
Golf Supplies	-	-	8,856	8,856	-
Fuel Charges	-	-	10,133	15,000	-
Golf Cart Repairs	-	-	1,776	2,000	-
Security	222	-	1,993	3,000	-
Credit Card Fees	99	-	10,841	12,000	-
Tournament Expense	-	-	7,098	10,000	-
Accounting	1,176	-	10,558	13,000	-
Golf Operations	14,764	-	13,976	25,000	-
Golf Course operations	-	-	146,798	200,000	-
Golf shop operations	-	-	115,507	150,000	-
Office operations	-	-	71,012	100,000	-
District management	5,000	-	40,000	60,000	-
District Consultants	3,000	-	17,000	25,000	-
Insurance	668	-	8,795	8,795	-
Legal	15,446	-	13,752	15,000	-
Office Supplies/Expenses	2,247	-	12,248	15,000	-
Advertising	-	-	13,041	15,000	-
Custodial Supplies	-	-	5,696	10,000	-
Utilities-Clubhouse	3,243	-	76,104	128,000	-
Utilities-Grounds	-	-	39,847	50,000	-
Software Maintenance	-	-	1,925	3,500	-
Miscellaneous expense	1,982	41,000	23,698	45,000	-
Total expenditures	56,849	900,000	773,593	1,044,288	970,000
Ending fund balance	\$ 395,617	\$ 310,750	\$ 262,636	\$ 199,329	\$ 429,329

**Heather Ridge Metropolitan District
Proposed Budget
Capital Projects
For the Year ended December 31, 2010**

	Actual <u>2009</u>	Adopted Budget <u>2010</u>	Actual <u>8/31/2010</u>	Estimate <u>2010</u>	Proposed Budget <u>2011</u>
Beginning fund balance	\$ -	\$ 1,443,612	\$ 1,408,413	\$ 1,408,413	\$ 646,778
Revenues:					
Line of credit proceeds	100,000	-	-	-	-
Bond proceeds	5,195,000	-	-	-	-
Interest income	-	-	1,618	2,500	-
Total revenues	<u>5,295,000</u>	<u>-</u>	<u>1,618</u>	<u>2,500</u>	<u>-</u>
Total funds available	<u>5,295,000</u>	<u>1,443,612</u>	<u>1,410,031</u>	<u>1,410,913</u>	<u>646,778</u>
Expenditures:					
Cost of issuance	183,825	-	-	-	-
Capital improvements	-	1,443,612	11,624	11,624	646,778
Repay line of credit	104,778	-	-	-	-
Planning & Engineering	-	-	35,833	35,833	-
Permits	-	-	100	100	-
Wells	-	-	483,226	483,226	-
Maintenance Building Roof	-	-	5,841	5,841	-
Clubhouse Outside Lighting	-	-	1,414	1,414	-
Software System	-	-	3,643	3,643	-
Golf Equipment	-	-	13,160	13,160	-
Perimeter Fence	-	-	12,252	12,252	-
Closing Costs	-	-	-	-	-
Website Development	-	-	2,291	2,291	-
Logo Design	-	-	-	-	-
Golf Course Upgrades	-	-	778	778	-
Heating & Air	-	-	126,079	126,079	-
Computer Equipment	-	-	7,047	7,047	-
Golf Landscape Maintenance	-	-	23,249	23,249	-
Clubhouse Improvements	-	-	37,050	37,050	-
Legal	-	-	116	116	-
Miscellaneous	-	-	432	432	-
Purchase of golf course	3,150,891	-	-	-	-
Transfer to debt service fund	187,343	-	-	-	-
Transfer to enterprise fund	259,750	-	-	-	-
Emergency reserve (3%)	-	-	-	-	-
Total expenditures	<u>3,886,587</u>	<u>1,443,612</u>	<u>764,135</u>	<u>764,135</u>	<u>646,778</u>
Ending fund balance	<u>\$ 1,408,413</u>	<u>\$ -</u>	<u>\$ 645,896</u>	<u>\$ 646,778</u>	<u>\$ -</u>

**Heather Ridge Metropolitan District
Proposed Budget
Debt Service fund
For the Year ended December 31, 2010**

	Actual <u>2009</u>	Adopted Budget <u>2010</u>	Actual <u>8/31/2010</u>	Estimate <u>2010</u>	Proposed Budget <u>2010</u>
Beginning fund balance	\$ -	\$ 190,638	\$ 187,343	\$ 187,343	\$ 227,006
Revenues:					
Property taxes	-	322,243	334,438	345,000	368,811
Specific ownership taxes	-	12,890	14,054	21,000	22,129
Transfer from capital projects fund	187,343	-	-	-	-
Interest income	-	975	417	800	975
Total revenues	<u>187,343</u>	<u>336,108</u>	<u>348,909</u>	<u>366,800</u>	<u>391,915</u>
Total funds available	<u>187,343</u>	<u>526,746</u>	<u>536,252</u>	<u>554,143</u>	<u>618,921</u>
Expenditures:					
Bond principal	-	90,000	-	90,000	145,000
Bond interest	-	229,619	130,308	229,619	219,515
Trustee fees	-	2,500	-	2,500	5,000
Treasurer fees	-	4,834	5,018	5,018	5,532
Contingency	-	-	-	-	-
Total expenditures	<u>-</u>	<u>326,953</u>	<u>135,326</u>	<u>327,137</u>	<u>375,047</u>
Ending fund balance	<u>\$ 187,343</u>	<u>\$ 199,793</u>	<u>\$ 400,926</u>	<u>\$ 227,006</u>	<u>\$ 243,874</u>
Assessed Valuation		<u>\$ 10,394,940</u>			<u>\$ 11,897,120</u>
Mill Levy		<u>31.000</u>			<u>31.000</u>
Total Mill levy		<u>42.500</u>			<u>42.500</u>